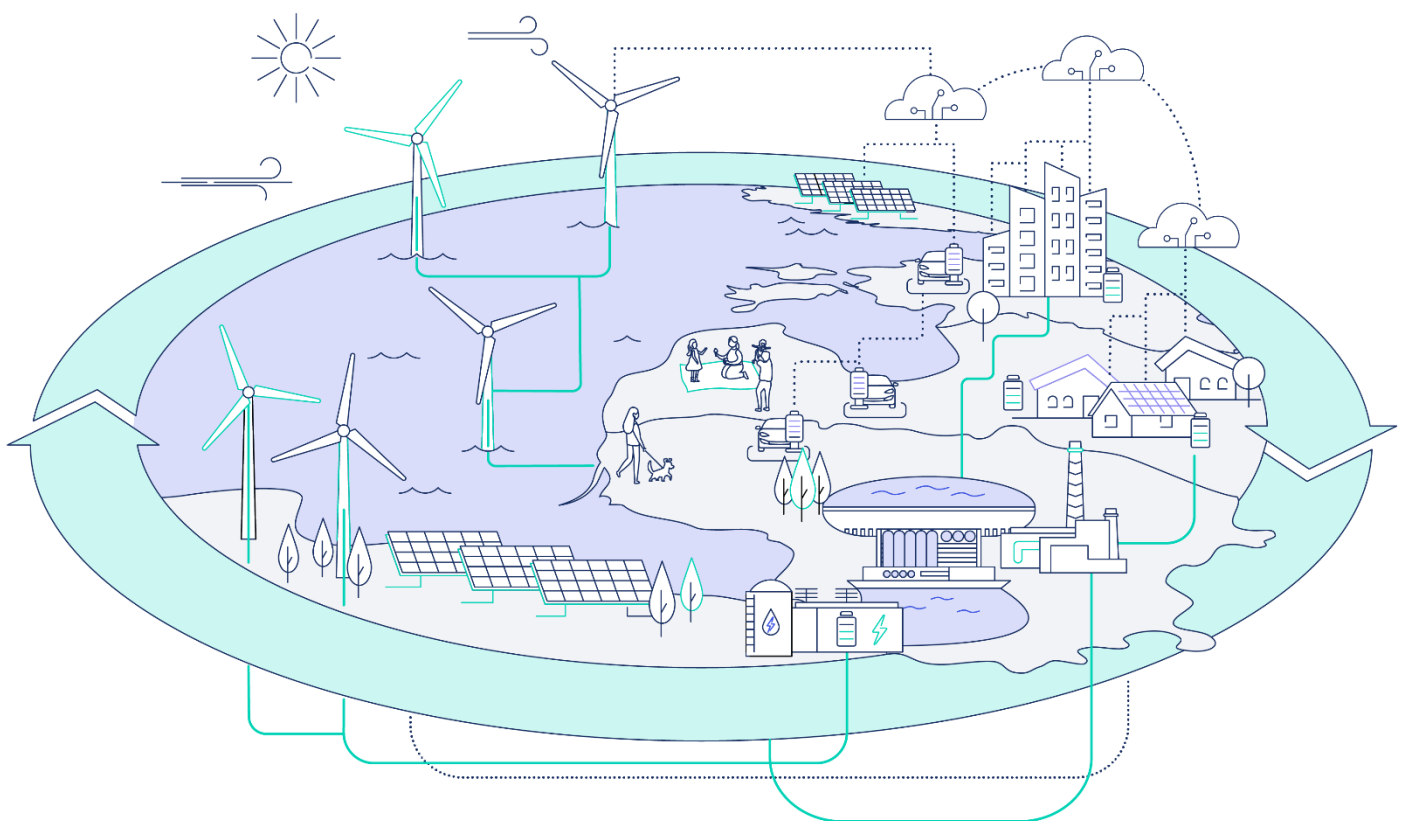


UAB Kauno kogeneracinė jėgainė

Annual report for 2025

Management report for the year ended 31 December 2025 and the financial statements of the Company for the year ended 31 December 2025, prepared in accordance with IFRS Accounting Standards as adopted by the European Union, presented together with an Independent Auditor's Report for the year ended 31 December 2025



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Business overview

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1.1 Business profile

Description of the Company's activities

The main activity of Kaunas kogeneracinė įėgainė UAB ("the Company") is to treat municipal and non-hazardous industrial waste with energy value generated in the Kaunas region and its surroundings, and in order to provide financial benefit to the Company and its Shareholders, to sell the heat and electricity generated in the treatment process.

Company's business model

The plant produces ~480 GWh of heat and ~180 GWh of electricity per year. The heat energy is fed into the centralised heat supply network of Kaunas city, and the electricity is fed into the national electricity transmission network. The plant operates continuously at base load and medium load for at least 8 000 hours per year and produces about 33% of the total heat demand of Kaunas city.

The plant uses non-recyclable municipal waste after secondary sorting and non-hazardous industrial waste with energy value to produce energy. Natural gas is used for start-up, shut-down and emergency situations.

Major customers

The Company's key customers by the source of income:

waste treatment - regional waste treatment centres and other waste managers;

sale of electricity - electricity is sold to Ignitis UAB and on the Nord Pool AS exchange;

sale of heat - at auctions organised by BALTPPOOL in the centralised heat supply (CHS) system of Kaunas city, the operator of Kaunas city CHS system is Kauno energija AB.

Company's business plans and forecasts

The Company's business plan is to continue managing sorted municipal and industrial waste that is no longer suitable for recycling in the most efficient way possible, whilst supplying heat and electricity.

1.2 Business environment and strategy

The Company carries out commercial activities generating income from waste treatment, heat and electricity. The Company's main production costs consist of production raw materials (i. e. water and chemical substances), slag and ash treatment costs and the cost of purchasing CO₂ emission allowances.

Waste treatment activity

Under the IPPC permit, the Company can treat up to 255 thousand tonnes of municipal and non-hazardous industrial waste (with a lower heating value of ~10-12 MJ/kg). The main fuel is municipal waste supplied from Kaunas mechanical biological treatment (MBT) facilities and MBTs in the surrounding counties (Alytus, Marijampolė, Panevėžys and others). The Company participates in public tenders for municipal waste treatment services organised by regional waste treatment centres, where it competes for the price and quantity of municipal waste to be treated. For the non-hazardous industrial waste treatment service, the Company organises public tenders, where waste managers offer quantities of non-hazardous industrial waste at an agreed price.

Heat and electricity trading business environment

Kauno kogeneracinė jėgainė UAB is connected to the centralised heat system (CHS) of Kaunas city, where the only heat supplier AB Kauno energija (KE) operates. Every month, the Company participates in the heat auction organised by the operator of the energy resources exchange BALTPPOOL, where it submits a price and volume offer for the first month (after the current month). CHS of Kaunas city operates 10 energy production companies, most of them (9) are independent heat producers (IHPs).

UAB Kauno kogeneracinė jėgainė sells most of its electricity through bilateral electricity trading contracts, while the rest of the electricity is traded on Europe's largest electricity trading exchange Nord Pool.

Strategic focus, targets and key performance indicators

UAB Kauno kogeneracinė jėgainė is an important part of the integrated business model and strategy of the Ignitis Group. More information can be found in the consolidated management report of AB Ignitis grupė.

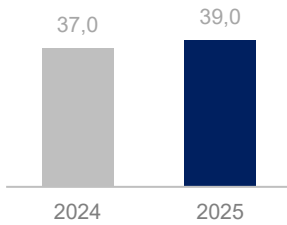
Main projects and investments

The main investments were made during the construction of the plant, i.e. until the end of 2020. As the Company operates in process mode, the need for investment decreases. Investments in 2025 were directed towards upgrading the power plant's existing systems and acquiring additional equipment to ensure safer operation of the power plant (for both the environment and employees).

1.3 Performance highlights

Financial

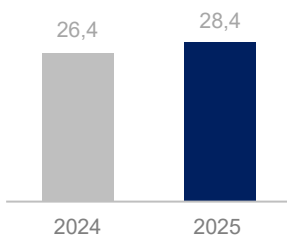
EBITDA APM
EUR million



In 2025, EBITDA increased by 5.6% compared to 2024, mainly driven by higher revenues from heat energy and waste treatment services, as well as reduced production costs.

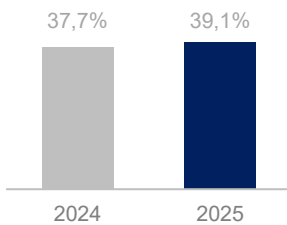
The Company's production costs decreased by 14.5% in 2025, and this change was primarily influenced by the following: the cost of using emission allowances, which decreased by 12.8% due to a decline in market prices for emission allowances.

Net profit APM
EUR million



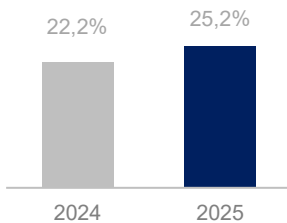
Net profit in 2025, compared to 2024, grew by 7.3% - proportionally to EBITDA growth.

ROE (LTM) APM
%



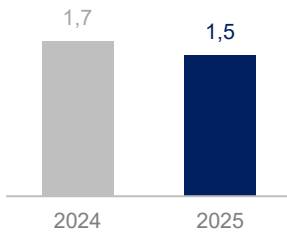
Return on equity increased by 1.4 percentage points in 2024–2025, mainly due to the fact that net profit grew at a faster rate than equity.

ROCE (LTM) APM
%



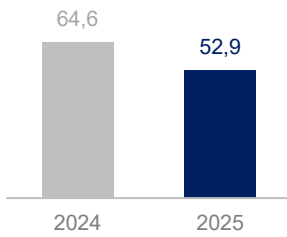
The return on capital employed increased in 2025 and reached 25.2%, compared to 22.2% in 2024. The increase was driven by higher EBIT, which grew by 7% during the reporting period, as well as a 2.4% decrease in capital employed due to regular loan repayment instalments.

Investments APM
EUR million



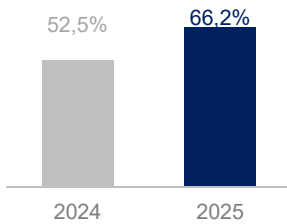
In 2025, investments decreased by EUR 0.2 million, compared to 2024, as the level of investments depends on the scope of planned repair and modernisation works. In 2025, the need for such works was lower; however, all works planned in the schedule were completed.

Net debt APM
EUR million



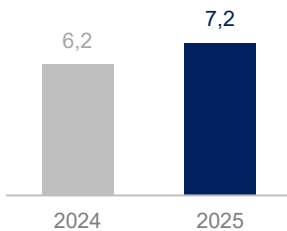
Net debt decreased from EUR 64.6 million in 2024 to EUR 52.9 million in 2025 due to regular loan repayments.

FFO (LTM) / Net debt APM
%



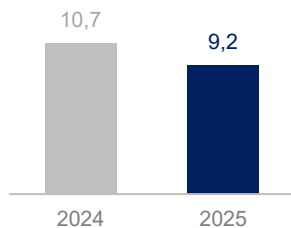
The FFO (LTM)/Net debt ratio increased from 52.5% to 66.2% due to a decreased net debt. The cash flows did not change significantly.

Operating expenses
EUR million



From 2024 to 2025, operating expenses grew by 16.7%. The largest contribution to the increase came from repair expenses, which rose by 33.6% during the reporting period, and payroll costs, which also had a significant impact, increasing by 14%.

Production costs
EUR million

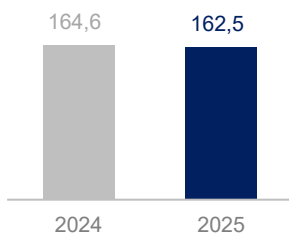


Production costs decreased by 14.4% from EUR 10.7 million in 2024 to EUR 9.2 million in 2025, driven by lower emission allowance utilisation costs due to a decline in market prices.

APM Alternative performance measures are the adjusted figures presented in this report used for the internal evaluation of performance management. These indicators are not defined by IFRS Accounting Standards (IFRS) and do not comply with IFRS requirements. Definitions of alternative performance measures can be found on the Group's website ([link](#)).

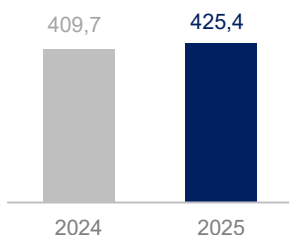
Operating

Sales of produced electricity GWh



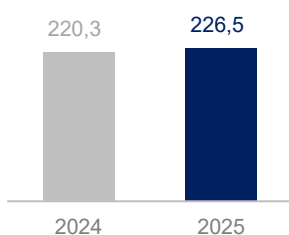
Sales of produced electricity decreased by 1.3%, from 164.6 GWh to 162.5 GWh, mainly due to the fire that occurred in May, and the longer duration of the annual maintenance outage, both of which disrupted electricity production.

Sales of produced heat energy GWh



Sales of generated heat energy increased by 3.8% in 2024–2025, driven by successful participation in Kaunas CHS heat auctions, particularly during the warmer period of the year.

Amount of waste processed thousand t



The amount of waste processed increased by 2.8%, from 220.3 thousand tonnes to 226.5 thousand tonnes, driven by a relatively higher share of municipal waste compared to industrial waste. Municipal waste has lower calorific value, which allows a relatively larger volume to be processed.

Results

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2.1 Annual results

Revenue

In 2025, the Company earned EUR 55.4 million in revenue, representing a 2.9% increase, compared to 2024. The largest share of the Company's revenue consisted of revenue from contracts with customers, while other revenue comprised sales of metal and delay interest income.

Revenue by nature of activity, EUR million

	2025	2024	Δ	Δ,%
Revenue from contracts with customers	54.9	53.4	1.5	2.9%
Other	0.5	0.5	0	6.2%
Revenue	55.4	53.9	1.5	2.9%

The group of revenue from contracts with customer consists of the Company's three main revenue streams - electricity and heat sales, and waste treatment revenues. Other income comes from sales of metal recovered from waste and income from interest on late payments.

Revenue by countries, million EUR

	2025	2024	Δ	Δ,%
Lithuania	55.4	53.9	1.5	2.9%
Other ¹	0	0	0	0%
Revenue	55.4	53.9	1.5	2.9%

¹ Other – Latvia, Estonia, Poland, Finland.

The Company sells the major part of its electricity under long-term bilateral contracts, while the remaining smaller share is sold on the Nord Pool power exchange. Heat is sold via the BALTPool auction system to AB Kauno energija, the district heating operator in Kaunas. The waste-treatment gate fee is received solely from waste treatment operators in Lithuania. All the revenue generated is earned in Lithuania.

Revenue by type, million EUR

	2025	2024	Δ	Δ,%
Revenue from electricity	30.6	31.3	(0.7)	2.2%
Revenue from thermal energy	12.3	11.6	0.7	5.7%
Revenue from waste treatment	12	10.5	1.5	14.7%
Other	0.5	0.5	0	6.2%
Revenue	55.4	53.9	1.5	2.9%

The main driver of revenue growth was the increase in waste-treatment revenue, which rose from EUR 10.5 million to EUR 12 million. The primary reason for this increase was the renewal of waste-treatment contracts at higher prices. Another contributing factor was a slightly higher volume of waste processed.

Heat energy revenue also had a positive impact, increasing by 5.7% during the reporting period. This growth was driven by more favourable heat-auction results, which enabled the sale of larger quantities of heat energy.

Electricity revenue decreased from EUR 31.3 million to EUR 30.6 million due to lower electricity production volumes resulting from longer maintenance outages and operational disruptions, as well as declining electricity prices on the Nord Pool exchange.

Other income, consisting of sales of recovered metal and penalty interest, remained stable.

Costs

The Company's costs in 2025 decreased by 3.8% to EUR 25.2 million. Compared to 2024, costs were most significantly influenced by decreased costs of utilised emission allowances. Finance costs also decreased slightly.

The decrease in emission allowance utilisation costs was driven by the use of previously acquired emission allowances purchased at lower prices. This factor enabled the Company to reduce emission allowance utilisation costs by 12.8% in 2025, to EUR 3.9 million. An additional positive effect came from the revaluation of emission allowances, the cost of which decreased to EUR -0.3 million.

Electricity and heat production costs increased from EUR 5.5 million in 2024 to EUR 5.6 million in 2025. The increase was driven by higher consumption of operational materials due to changes in waste composition that resulted in greater material needs.

Finance costs decreased by 12.1% to EUR 3.2 million. Finance costs decreased due to a reduced loan balance.

Payroll costs increased by 14% and amounted to EUR 2.4 million. Salary increases were driven by additional positions and rising remuneration ranges in order to remain competitive on the labour market.

Costs, EUR million

	2025	2024	Δ	Δ,%
Costs of utilised emission allowances	3.9	4.5	(0.6)	12.8%
Costs of revaluation of emission allowances	(0.3)	0.7	(1.0)	144.1%
Depreciation and amortisation	5.9	6.0	(0.1)	(1.4%)
Electricity and heat production costs	5.6	5.5	0.1	0.7%
Salaries and related costs	2.4	2.1	0.3	14.0%
Other costs	4.8	4.2	0.6	18.0%
Finance costs	2.9	3.2	(0.3)	12.1%
Total:	25.2	26.2	(1,0)	(3.8%)

EBITDA

In 2025, the managed costs together with higher waste-treatment and heat-production revenue resulted in a 5.6% increase in EBITDA, which reached EUR 39.0 million.

Net profit

In 2025, revenues increased by 7.3% compared to 2024 and amounted to EUR 28.4 million. The increase in net profit was in line with the growth in EBITDA.

Investments

In 2025, investments amounted to EUR 1.5 million (2024: EUR 1.7 million). The amount of investments decreased because the scope of planned maintenance and modernisation works was lower; however, all works planned for the period were completed. The investments are aimed at improving and optimising the plant's equipment in order to maintain the high reliability of the equipment and to ensure the safety of the workers at the plant.

Assets

The Company's assets decreased by 2.1% and amounted to EUR 168.5 million. Non-current assets decreased due to regular depreciation (EUR 5.9 million); however, all planned investments (EUR 1.5 million) were carried out. The amount of unrealised gain on derivative financial instruments within non-current assets also increased (a change of EUR 0.7 million). Current assets increased slightly (a change of EUR 0.5 million).

Equity

Compared to the previous year, the equity increased by EUR 3.5 million and amounted to EUR 74.2 million. Retained earnings grew by EUR 1.9 million due to improved annual results of the Company (all of the previous year's profit after the formation of mandatory reserves was paid out as dividends). The legal reserves were fully formed (increased by EUR 1 million, and the reserves for derivative financial instruments also changed (increased by EUR 0.7 million).

Liabilities

During 2024, the Company's liabilities decreased by 7.6% to EUR 94.3 million. Liabilities were most significantly reduced by the annual loan repayment portion (EUR 7.3 million).

Statement of financial position, EUR million	31 December 2025	31 December 2024	Δ	Δ,%
Non-current assets	118.9	123.0	(4.1)	(3.2 %)
Current assets	49.6	49.1	0.5	1.5%
TOTAL ASSETS	168.5	172.1	(3.6)	(2.1%)
Equity	74.2	70.7	3.5	5.1%
Total liabilities	94.3	101.4	(7.1)	(7.6%)
Non-current liabilities	78.9	86.2	(7.3)	(8.5%)
Current liabilities	15.4	15.2	0.2	1.2%
TOTAL EQUITY AND LIABILITIES	168.5	172.1	(3.6)	(2.1%)
Asset turnover <i>APM</i>	0.3	0.3	0.0	8.0%
ROA <i>APM</i>	16.6%	15.0%	n/a	1.6 p. p.
Gross liquidity ratio. <i>APM</i>	3.2	3.2	0.0	0.2%
Working capital / Revenue <i>(LTM) APM</i>	26.1%	33.4%	n/a	(7.3 p. p.)

Financing

Net Debt

In 2025, net debt decreased by 18.1% and amounted to EUR 52.9 million. The decrease in debt was driven by the annual loan repayment and increased cash balance in the account.

Net debt, EUR million

	31 December 2025	31 December 2024	Δ	Δ,%
Total non-current financial liabilities	78.9	86.2	(7.3)	(8.5%)
Long-term loans	78.9	86.2	(7.3)	(8.5%)
Bonds	0.0	0.0	-	-
Interest payable (including accrued)	0.0	0.0	-	-
Lease liabilities (IFRS 16)	0.0	0.0	0.0	(1.3%)
Total current financial liabilities	7.3	7.3	0.0	0.0%
Current portion of non-current loans	7.3	7.3	0.0	0.0%
Short-term loans	0.0	0.0	-	-
Interest payable (including accrued)	0.0	0.0	-	-
Lease liabilities (IFRS 16)	0.0	0.0	0.0	(0.2%)
Financial debts <i>APM</i>	86.2	93.5	(7.3)	(7.8%)
Cash, cash equivalents and funds in escrow account	33.2	28.9	4.3	15.0%
Net debt <i>APM</i>	52.9	64.6	(11.7)	(18.1%)
Net debt / EBITDA <i>(LTM) APM</i>	1.4	1.7	(0.3)	(22.4%)
FFO <i>(LTM) / Net debt APM</i>	66.2%	52.5%	n/a	13.7 p. p.
Gross debt / Equity <i>APM</i>	1.2	1.3	(0.1)	(12.3%)

Dividends

The rules for distributing the Company's profits are set out in the shareholders' agreement. Shareholders also have the right to allocate part of the profit for donations.

	2025	2024	Δ	Δ,%
The amount of dividends paid out in the specified period	25.4	24.1	1.3	5.2%

Key performance measures

		2025	2024	Δ	Δ,%
Amount of waste processed	thousand tonnes	226.5	220.3	6.2	2.8%
Sale of produced thermal energy	GWh	425.4	409.7	15.7	3.8%
Sale of produced electricity	GWh	162.5	164.6	(2.1)	(1.3%)
Fossil CO ₂ emissions	thousand t	84.0	85.6	(1.6)	(1.9%)

The total amount of waste processed in 2025 increased due to a higher volume of municipal waste treated. Municipal waste typically has a lower calorific value compared to industrial waste; therefore, larger quantities of municipal waste can be processed.

Sales of heat energy increased in 2025 as a result of more successful heat-auction outcomes. On the one hand, the overall Kaunas DH market expanded; on the other hand, our competitors were less aggressive than in previous years.

Sales of produced electricity decreased in 2025 due to a longer maintenance period and a production disruption that occurred in May.

The amount of fossil-based CO₂ emissions decreased due to a relatively higher share of municipal waste in the total waste stream. Since municipal waste has a lower calorific value, it also contains a lower proportion of fossil-based CO₂.

2.2 Three-year annual summary

Key financial indicators

		2025	2024	2023
Revenue	EUR million	55.4	53.4	53.6
EBITDA ^{APM}	EUR million	39.0	37.0	35.8
EBIT ^{APM}	EUR million	33.1	30.9	29.8
Net profit	EUR million	28.4	26.4	25.4
Investments ^{APM}	EUR million	1.5	1.7	0.6
FFO ^{APM}	EUR million	35.1	33.9	33.0
FCF ^{APM}	EUR million	37.6	35.4	34.5
ROE ^{APM}	%	39.1%	37.7%	34.5%
ROCE ^{APM}	%	25.2%	22.2%	20.0%
ROA ^{APM}	%	16.6%	15.0%	13.5%
		31 December 2025	31 December 2024	31/12/2023
Total assets	EUR million	168.5	172.1	179.1
Equity	EUR million	74.2	70.7	69.4
Net debt ^{APM}	EUR million	52.9	64.6	73.8
Net working capital ^{APM}	EUR million	14.5	18.0	20.5
Net debt / EBITDA ^{APM}	times	1.4	1.7	2.1
FFO / Net debt ^{APM}	%	66.2	52.5%	44.7%
Gross liquidity ratio. ^{APM}	%	3.2	3.2	3.1
Turnover of assets ^{APM}	times	0.3	0.3	0.3

Key performance measures


		2025	2024	2023
Amount of waste processed	thousand tonnes	226.5	220.3	222.5
Sale of produced thermal energy	GWh	425.4	409.7	392.0
Sale of produced electricity	GWh	162.5	164.6	162.1
Fossil CO ₂ emissions	thousand t	84.0	85.6	119.7

2.3 Strategy

Main purpose and integrated strategy

UAB Kauno kogeneracinė jėgainė is an important part of the integrated business model and strategy of Ignitis Group. Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltic States.

Our core ambition and purpose is to create a 100% green and safe energy ecosystem for current and future generations.

- 
- The following priorities are aligned with the main ambition:
1. **Green.** We are increasing green generation and green flexibility capacities.
 2. **Flexible.** We are creating a flexible system that can operate on 100% green energy in the short, medium, and long term.
 3. **Integrated.** We leverage an integrated business model to enable the development of Green Capacities.
 4. **Sustainable.** We maximise sustainable value.

We contribute to Europe's decarbonisation and to ensuring energy security in the region by accelerating the energy transition and electrification in the Baltic states and Poland. We aim to achieve net-zero GHG emissions by 2040–2050.

Integrated business model

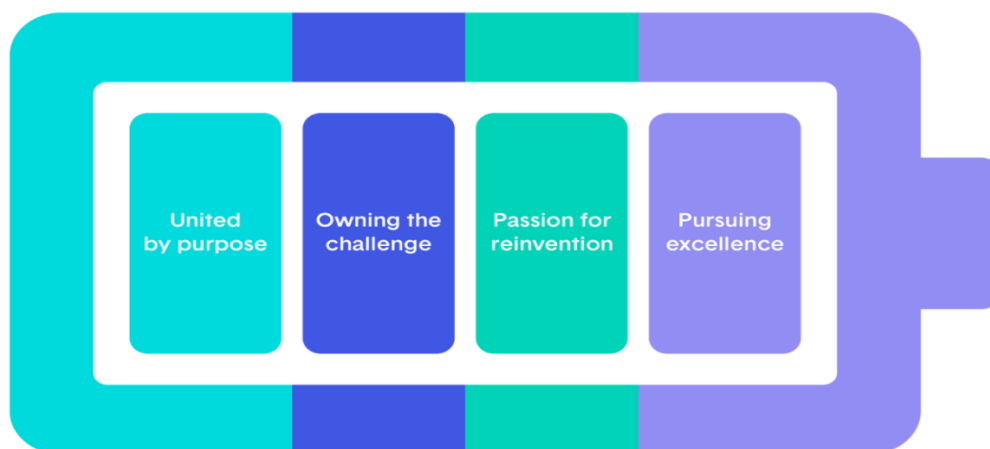


Sustainability and ESG priorities

In implementing the strategy, we focus primarily on reducing greenhouse gas emission intensity in Scopes 1 and 2, ensuring workplace safety, fostering a positive employee experience and promoting diversity, and creating sustainable value through sustainable investments and returns.

Values

We are a team united by a clear organisational purpose.



Company's strategic priorities, targets and their implementation

UAB Kauno kogeneracinė jėgainė is part of the Ignitis Group and belongs to the segment of Green Capacities.

The Company carries out commercial activities generating income from waste treatment, heat and electricity. The Company's main production costs consist of production raw materials (i. e. water and chemical substances), slag and ash treatment costs and the cost of purchasing CO₂ emission allowances.

The Company's annual performance targets are linked to the strategy, strategic priorities and plans to ensure their consistent implementation.

Meeting the 2025 performance targets

Performance assessment criteria	Weight, %	Performance targets and indicators	Achieved result
Financial targets	30%	1.1 Ensured operating profit rate (adjusted EBITDA) (30%)	100%
Strategic projects or execution of their most important phases	40%	2.1 Efficient and uninterrupted power plant operation (20%) Power plant availability factor, 2.2 Ensure compliance with environmental requirements (20%) Not exceed the emission limits to the environment established in the IPPC permit	100%
Sustainability targets	30%	3.1 Adherence to all conditions set out in the IPPC permit (15%) No infringements under the IPPC operating conditions are detected by the authorised public authorities (except for possible exceedance of emission limits) 3.2 Enhancement of occupational safety (15%) Fatal accidents at work (company employees and contractors); TRIR company employees; TRIR contractors	90%
Achievement in 2025			99%

Performance targets for 2026

Performance assessment criteria	Weight, %	Performance targets and indicators
Financial targets	40%	1.1 Ensured operating profit rate Adjusted EBITDA (25%) 1.2 Operating costs (15%)
Strategic projects and key milestones	35%	2.1 Efficient and uninterrupted power plant operation (15%) Power plant availability factor 2.2 Ensure compliance with environmental requirements (20%) Not exceed the emission limits to the environment established in the IPPC(1) permit
Sustainability targets	25%	3.1 Adhere to the conditions set out in the IPPC permit (15%) No infringements under the IPPC operating conditions are detected by the authorised public authorities (except for possible exceedance of emission limits) 3.2 Enhancement of occupational safety (10%): Fatal accidents at work (company employees and contractors); TRIR company employees; LTIR company employees; TRIR contractors; LTIR contractors.

The performance indicators are linked to the variable remuneration component of the Company's CEO.

Main projects and investments

The main investments were made during the construction of the plant, i.e. until the end of 2020. As the Company operates in process mode, the need for investment decreases. Investments in 2025 were directed towards upgrading the power plant's existing systems and acquiring additional equipment to ensure safer operation of the power plant (for both the environment and employees).

Long-term strategic projects aimed at substantially reducing GHG emissions (such as CCS/CCUS) currently lack economic feasibility; therefore, these projects remain on hold until the underlying economic factors change and investment becomes justified.

More information on Ignitis grupė investments can be found in the Group's strategic ([plan](#)).

Governance report

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3.1 Governance Framework

Company's governance model

The Company's governance structure consists of the Head of the Company and a one-tier governance system, comprising the Company's Management Board. The Head of the Company represents the Company in all matters and, together with the Management Board, is responsible for the governance of the Company. The Head of the Company manages the daily activities of the Company and solely represents the Company.

The Company's governing bodies are:

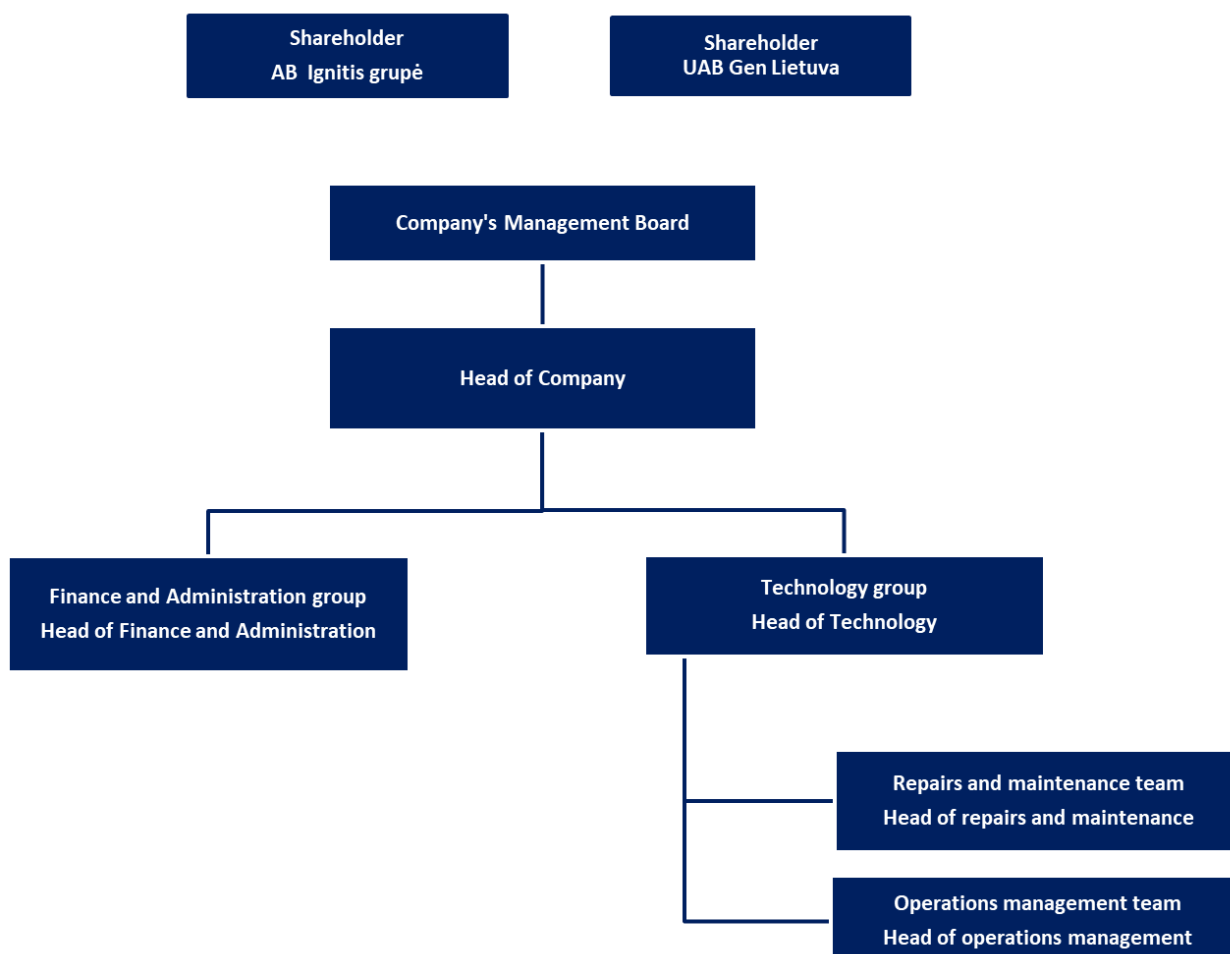
- General Meeting of Shareholders
- Collegial governing body - Management Board;
- Single-person governing body - Head of the Company.

A more detailed description of each of the Company's governing bodies and their members is provided in the sections that follow.

Company's governing structure

51% of the Company's shares are held by AB Ignitis grupė and 49% by UAB Gen Lietuva.

Company's governing structure



Shareholders, their rights and functions

The rights and duties (competence and functions), convening procedures, and decision-making rules of the General Meeting of Shareholders are defined by the Law on Joint Stock Companies of the Republic of Lithuania and the Company's Articles of Association.

The competence of the General Meeting of Shareholders covers the following key areas:

- the election and removal of individual members of the Company's Management Board or of the entire Management Board;
- amendments to the Company's Articles of Association;
- approval of the Company's annual financial statements;
- adoption of decisions on the appropriation of profit (loss);
- adoption of decisions to increase or reduce the Company's share capital (or otherwise change its structure);
- adoption of decisions on the Company's reorganisation and division (or other actions altering the Company's status) and approval of the terms of such actions, including the Company's reorganisation, restructuring, liquidation or revocation of liquidation;
- approval or disapproval of decisions of the Management Board regarding the Company becoming a founder or participant of other legal entities;
- adoption of decisions on the transfer, pledge, other encumbrance or disposal of the Company's shares or the rights attached thereto, as well as on the transfer of the business or a significant part thereof.

An additional competence of the General Meeting of Shareholders is to approve or reject the decisions of the Company's Management Board specified in clauses 33.9, 33.14 and 33.17–33.32 of the Company's Articles of Association.

During the reporting period, the General Meeting of Shareholders adopted the following resolutions:

- On 29 January 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the conclusion of a service contract for the use of waste with energy value for production of heat and electricity and the approval of the essential terms and conditions of this contract;
- On 26 February 2026, a resolution was adopted to approve the decisions of the Company's Management Board regarding the conclusion of a service contract for the utilisation (incineration) of non-hazardous waste and the approval of the essential terms and conditions of this contract, as well as the conclusion of a service contract for the use of waste with energy value for production of heat and electricity and the approval of the essential terms and conditions of this contract;
- On 19 March 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the conclusion of a service contract for waste incineration/utilisation and the approval of the essential terms and conditions of this contract;
- On 23 April 2025, resolutions were adopted to approve the Company's management report for 2024, the Company's annual financial statements for the year, to distribute the Company's profit (loss) for 2024, and approve the management Board's decision regarding the allocation of the Company funds for donations in 2025;
- On 6 May 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the extension of the heat purchase-sale agreement and the approval of updated essential terms and conditions of the contract;
- On 4 June 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the approval of the Company's long-term planning documentation package;

- On 8 July 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the approval of the new edition of the Company's Sponsorship Management Rules;
- On 15 July 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the conclusion of an electricity purchase contract for a specified volume from a producer and the approval of the essential terms and conditions of this contract;
- On 10 December 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the approval of the Company's annual budget for 2026;
- On 10 December 2025, a resolution was adopted to approve the decision of the Company's Management Board regarding the conclusion of a service contract for the use of waste with energy value for production of heat and electricity and the approval of the essential terms and conditions of this contract.

3.2 Management Board

Overview

Management Board

The Management Board of the Company is a collegial governing body of the Company. The competence of the Management Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts and the Company's Articles of Association as well as the Regulation of the Board.

The Company's Management Board, consisting of three members, is elected for a term of four years and recalled by the General Meeting of Shareholders, in accordance with the procedures set out in the Company's Articles of Association and the law. One member of the Management Board shall be elected from the candidates proposed (delegated) by the shareholder AB Ignitis grupė, one member shall be elected from the candidates proposed (delegated) by the shareholder UAB Gren Lietuva, and one member of the Management Board shall be elected as an independent member of the Management Board.

The Management Board is accountable to the General Meeting of Shareholders. The Management Board must comprise at least 1/3 (one third) independent members and more than a half of the Management Board members must not have employment relations with the Company. The Management Board elects the chairman of the Management Board from among its members.

If the Management Board is recalled, it resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Management Board will be elected for the new term of office. Where individual members of the Management Board are elected, they shall be elected only until the end of the term of office of the operating Management Board.

Main functions of the Company's Management Board:

- to analyse and evaluate the information provided by the Company's CEO on the implementation of the Company's business strategy, organisation of the Company's operations, the Company's financial position, the Company's set of annual financial statements, the Company's draft distribution of profit (loss);
- to consider and approve the Company's business strategy, the Company's operational planning documents, the Company's management and/or organisational structure, the list of staff positions and the maximum number of posts, the list of confidential information and trade secrets, and the management report;
- to approve the pricing principles applied on an ongoing basis for the Company's business-related energy services and commodities, and the pricing ranges for non-business-related services;
- to adopt decisions regarding the conclusion of certain transactions necessary for the Company's operations and the approval of their essential terms, as well as the termination or amendment of such transactions;
- to adopt decisions on other issues which fall within the competence of the Management Board under the legal acts, the Company's Articles of Association or the General Meeting of Shareholders as well as significant issues which are referred to the Board by the CEO;
- to elect and recall the Company's CEO, determine his/her remuneration and other terms and conditions of his/her employment, and give him/her incentives and penalties.

Certain decisions of the Management Board may be implemented only upon approval of the General Meeting of Shareholders for the relevant decision of the Management Board. The cases that require approval of the general meeting of shareholders are provided for in the Company's Articles of Association.

Information on selection criteria for the members of the Management Board

Selection to the Management Board is conducted in accordance with the description of the selection of candidates to the collegial supervisory or management body of a state or municipal enterprise, a state-owned or municipality-owned company or its subsidiary approved by Resolution No. 631 of the

Government of the Republic of Lithuania of 17 June 2015, and the guidelines for the selection procedures of civil servants and other selected persons for whom it is proposed to vote when electing the collegial body of a subsidiary of AB Ignitis grupė approved by the Management Board of AB Ignitis grupė.

The composition of the Company's Management Board shall be composed taking into consideration the fact that members of the Management Board shall have diverse competences. The position of a member of the Management Board shall not be held by a member of the management body or administration of another legal entity operating in the field of energy, who, if elected as a member of the Management Board, would fail to comply with the requirements for the separation of activities in the energy sector laid down in the legislation of the Republic of Lithuania and in the European Third Energy Package, or by a person who, according to the legislation, is not entitled to hold such position. The members of the Company's Management Board shall comply with general and specific criteria set out by legislation.

Information about the Management Board and its activity in 2025

The composition of the Management Board did not change during the reporting period. As of 30 April 2024, the Company's Management Board consists of:

- Finance management – Mantas Bartuška, an independent member;
- Energy production and regulation – Mantas Mikalajūnas, a member delegated by the shareholder AB Ignitis grupė;
- Strategic planning and management – Vitalijus Žuta, a member delegated by the shareholder UAB Gren Lietuva.

Mantas Bartuška has been elected as the Chairman of the Management Board.

Activity of the Management Board in 2025:

The Management Board plans and carries out its activities in accordance with an annual operational plan, which outlines the matters assigned to the Management Board's competence to be considered during the calendar year. On 4 December 2024, the Management Board approved its operational plan for 2025, which was duly implemented. All planned matters were considered, as well as additional matters arising during the year related to the organisation and execution of the Company's activities.

The Management Board meetings are held once a month, with ad hoc meetings convened when necessary.

During the reporting period

A total of 18 meetings of the Company's Management Board were held in 2025, during which the following key issues were discussed:

- evaluation of the most significant transactions planned to be concluded by the Company, approval of their conclusion and approval of terms and conditions of key transactions;
- assessment and approval of the Company's long-term and short-term planning documents;
- approval of the Company's management report for 2024, assessment of annual financial statements and the draft appropriation of profit (loss), and their submission to the General Meeting of Shareholders;
- assessment and approval of the Company's achievement of 2024 performance targets (indicators);
- assessment of the organisation of the Company's activities and adoption of related decisions;
- approval of the new edition of the Company's Sponsorship Rules, determination of the amount of the Company's funds to be allocated for sponsorship in 2025, and decisions on the granting of sponsorship to each applicant;
- discussion and approval of the maximum number of full-time positions at the Company and the list of employee job positions;

- approval of the updated list of the Company's confidential information and commercial secrets;
- other issues related to the performance of functions as prescribed by the Law on Joint Stock Companies of the Republic of Lithuania and the Company's Articles of Association.

Overview of meeting attendance by members of the Management Board

Name, surname	
Mantas Bartuška (Chairman of the Management Board)	18 / 18
Vitalijus Žuta	18 / 18
Mantas Mikalajūnas	17 / 18

* The figures indicate how many meetings of the total organised the members have attended in 2025.

After the reporting period

From 1 January 2026 to 20 March 2026, three meetings of the Management Board were held, during which the following key matters were discussed:

- assessment and approval of the Company's achievement of 2025 performance targets (indicators);
- approval of the transactions necessary for the Company's operations and their key terms and conditions.

Performance assessment

In line with good governance practices, the Management Board conducts an annual assessment of its activities and agrees on follow-up actions aimed at improving the Management Board's performance. On 29 May 2025, the Management Board approved the Performance Improvement Plan for 2025.

Members of the Management Board

	Description	Experience	Education	Other currently held positions
	<p>Mantas Bartuška Chairman, member since 30-04-2024 Independent member Area of competence: finance management Term of office ends on 29-04-2028</p>	<p>M. Bartuška began his career at UAB BDO Auditas ir apskaita as a junior audit consultant. He has more than 17 years of experience in the energy sector:</p> <p>he held the position of Director of the Finance and Administration Department at the public limited company Klaipėdos nafta. While in this position, M. Bartuška significantly contributed to the financing of the LNG terminal project. Later he became the CEO and board member of this company. He also held the position of CEO of AB Lietuvos Geležinkeliai and was a member of the Management Board.</p> <p>M. Bartuška was also a member of the presidium of the Lithuanian Confederation of Industrialists and chairman of the board of the energy resources exchange operator UAB Baltpool.</p> <p>In recent years, working at Gasunie Nederlandse BV, M. Bartuška led an international LNG terminal project in the Netherlands.</p>	<p>University of Southern Denmark, Bachelor of Management and Business Administration;</p> <p>Vilnius University, Bachelor of Management and Business Administration;</p> <p>University of Cambridge, Business School, Leadership studies;</p> <p>Baltic Institute of Corporate Governance, board member training.</p>	<p>Main workplace and position: MB Capital (code 306676586), General director.</p> <p>Other positions held: Chairman and member of the Board of UAB JES Rail (code 305152068);</p>



Mantas Mikalajūnas
Member since 30-04-2024
Representative of AB Ignitis grupė
Competence area:
Energy production and regulation
Term of office ends on 29-04-2028

With almost 20 years of management experience in various companies in the energy sector, M. Mikalajūnas started his career at Lietuvos dujos. Later, he completed an eighteen-month internship at an energy concern in Germany. After returning to Lithuania, he worked in strategic positions at Lietuvos dujos, where he was a member of the management team responsible for relations with investors, state authorities and the regulator, and for the integration of Lietuvos dujos into Lietuvos energija (now Ignitis grupė). Before transitioning to the current position of Chief Regulated Activities Officer of the Group, Mantas had served as Head of Business Development at Ignitis grupė and CEO at Lietuvos dujų tiekimas (later, Lietuvos energijos tiekimas).

Baltic Institute of Corporate Governance, a board member's and board chair's certificate, Saïd Business School, University of Oxford, Strategic Management Executive Programme; Vilnius University, Master's degree in Business Administration and Management.

Main workplace and position:
AB Ignitis grupė (code 301844044), a Management Board member and Head of Regulated Activities.

Other positions held:
Member of the Management Board of UAB Kauno kogeneracinė jėgainė (code 303782367);
Member of the Management Board of UAB Ignitis (code 303383884);
Member of the Management Board of AB Ignitis gamyba (code 302648707).



Vitalijus Žuta
Member since 30-04-2024, representative of UAB Gren Lietuva
Competence area:
strategic planning and management
Term of office ends on 29-04-2028

V. Žuta has many years of experience in the energy sector and has completed a number of major projects. While working at Tena, a branch of AB Lietuvos Energija, he was responsible for the material and technical supply of the branches of Lietuvos Energija, the implementation of loans from the European Bank for Reconstruction and Development and the World Bank, and the implementation of projects. For the first time in the Baltic region, he implemented a waste-to-fuel cogeneration power plant project in Klaipėda. He worked for a long time at the Vilnius CHP plant, and since 2000 he has held the position of Technical Director at Suomijos energija. From 2005 to 2021, he managed the operations of the Finnish energy company Fortum in Lithuania, and from 2021, the operations of GREN Holding in Lithuania.

Kaunas University of Technology, Mechanical Engineering studies.

Main workplace and position:

UAB Gren Lietuva (code 111679436), General director.

Other positions held:
Chairman and member of Management Board of UAB Gren Lietuva (code111679436);
Chairman and member of Management Board of UAB Gren Švenčionys (code 178860251);
Chairman and member of Management Board of UAB Gren Joniškis (code 157687636);
Member of Management Board of UAB Gren Klaipėda (code301276531).

Head of the Company (CEO)

Overview

The Chief Executive Officer is a single-person governing body of the Company. The competence of the Chief Executive Officer, election and recalling procedures are established by laws, other legal acts and the Articles of Association of the Company. The Chief Executive Officer organises, directs, acts on behalf of the Company and concludes transactions unilaterally, except for cases provided for in legislation and the Articles of Association of the Company.


The Company's Chief Executive Officer is elected, recalled and dismissed by the Company's Management Board. The competence, election and dismissal procedures, and number of terms of office of the Company's Chief Executive Officer shall be determined by the Law on Companies, the implementing legal acts, and the Articles of Association of the Company. It should be noted that the CEO of the Company, as a subsidiary of a State-owned company, is also subject to the special peculiarities of recruitment provided for in the Law on Companies, according to which the CEO's term of office is limited to a period of five years. The Law on Companies provides that the same person may be elected as the CEO for not more than two consecutive terms.

The remuneration of the Company's CEO is determined in accordance with the remuneration policy of AB Ignitis grupė and the internal legal acts thereon. In order to attract high-level professionals to managerial positions, it is sought to maintain the remuneration close to the market median of the country in which the Company operates. The remuneration structure for CEO corresponds to the remuneration structure for the Group's employees. More information is disclosed in the Remuneration Policy ([link](#)).

The main functions and responsibilities of the CEO are:

- ensures the implementation of the Company's operational strategy and the decisions of the General Meeting of Shareholders and/or the Management Board;
- organises the day-to-day activities of the Company, hires and dismisses employees, concludes and terminates employment contracts, incentivises employees and imposes disciplinary measures;
- ensures the protection of the Company's assets, appropriate working conditions, and the safeguarding of the Company's commercial secrets and confidential information;
- is responsible for the preparation of the annual financial statements and the management report;
- submits proposals to the Company's Management Board regarding the Company's operational planning documents;
- performs other duties established in the Law on Joint Stock Companies and other applicable laws and legal acts, as well as in the Company's Articles of Association and the rules of procedure of the Chief Executive Officer, and addresses other matters of the Company's operations that, under the law or the Articles of Association, do not fall within the competence of other governing bodies.

From 1 January 2023 to 1 January 2028 (for the second term of office), Ramūnas Paškauskas is the Chief Executive Officer of the Company.

	Description	Experience	Education	Other currently held positions
	<p>Ramūnas Paškauskas CEO of the Company Term of office: from 01/01/2023 to 01/01/2028</p>	<p>R. Paškauskas has been working in the energy sector since 2001, including 14 years in senior management positions. Since 2016, he has been working as the CEO of UAB Kauno kogeneracinė įėgainė.</p> <p>R. Paškauskas has extensive experience in various projects related to the construction and operation of cogeneration plants.</p>	<p>Electrical Engineering at Kaunas University of Technology;</p> <p>Master's degree in Management and Business Administration at ISM University of Management and Economics.</p>	<p>Main workplace and position: Company's Chief Executive Officer</p>

3.3 People and Remuneration

People and Culture

Overview

The Group, of which the Company is a part, is one of the largest employers in Lithuania. Maintaining good employee relations and contributing to employee engagement and well-being is a huge responsibility, challenge, and opportunity at the same time.

The Group forms and seeks to support the organisational culture that would nurture a long-term employer-employee partnership based on values and the Code of Ethics, mutual understanding and the opportunity to create an energetically smart future together.

The objective of the Group's Remuneration Policy is to attract and retain competent, fast-learning, technologically advanced, globally minded, and creative employees. It includes remuneration elements that support our strategy. The Group has been rapidly moving towards a sustainable performance management model, including management of human resources. The transformation of the energy sector requires new skills and competences and the continuous development of the Group's culture. In 2025, the Remuneration Policy was updated to uphold the principles of transparency and clarity and to better address the needs of the companies.

In this report, we provide a transparent and comprehensive overview of the remuneration of the Company's Chief Executive Officer and the members of the Management Board. The remuneration disclosed in this report is in line with the Group's Remuneration Policy.

Remuneration

Remuneration decision-making process

Remuneration structure of the Group is based on two key documents: Remuneration Policy and Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is an additional document detailing the provisions of Remuneration Policy (e.g., setting and evaluation of objectives, determination and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

The Remuneration Policy is approved in accordance with the provisions of the Labour Code of the Republic of Lithuania, the Law on Joint Stock Companies and the Corporate Governance Code for the companies listed on Nasdaq Vilnius. The parent company must submit any adjustments to the Remuneration Policy to the General Meeting of Shareholders for approval. Representatives of the employees of the parent company and the Group companies, as well as other stakeholders are consulted on matters related to changes in the Remuneration Policy (if any). The latest version of the Remuneration Policy was approved by the General Meeting of Shareholders on 7 May 2025 and is published on the Group's website.

The Remuneration Guidelines are approved by the Management Board of the parent company.

Remuneration policy and structure

The key objective of the Remuneration Policy is to foster the Group's pathway towards achievement of targets through 5 key principles detailed below.

Key principles of the Group's Remuneration Policy

Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
External competitiveness	Employees are paid a competitive salary, taking into account their functions, responsibilities, market conditions and geographical location.
Clarity	Each employee must clearly understand how their salary is determined and how their performance, competencies and qualifications affect its amount.
Transparency	In line with the principle of transparency, staff are informed of the objective criteria for determining remuneration.
Equal opportunities	Remuneration management decisions must be made in accordance with the provisions set out in the Remuneration Policy and Equal Opportunities and Diversity Policy .

The Remuneration Policy sets out the remuneration structure, the process for reviewing and setting the fixed remuneration component (FBS), the maximum variable remuneration component, related guidelines, principles, etc. To be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys. This way we obtain a fair view of market expectations and tendencies.

The purpose of our Remuneration Policy is to attract, retain and motivate employees in pursuit of the Group's goals by fostering a results-oriented organisational culture. Therefore, we aim to pay the market median in the countries where the Group's companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower than the median remuneration market) may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, considering the data of an independent national salary survey and the remuneration market trends. Salary scales are set for each level of post on the basis of the market median of remuneration.

The remuneration structure applied across the Group is the same for everyone, including the Chief Executive Officer of the Company, whose remuneration structure is aligned with that of other Group employees. The remuneration structure consists of fixed and variable components, the elements of which are detailed in the table below.

The full [Remuneration Policy](#), [the Group's People and Culture Policy](#) and other information related to human resource management, are available on the Group's [website](#).

Remuneration structure of the Group employees

Type	Element	Applied	Description and performance indicators
Fixed remuneration	Fixed base salary (FBS)	All Group employees	FBS is determined in the employment contract, taking into account the position level and the employee's competency level. FBS is paid in cash on a monthly basis. The review of the FBS is carried out during the annual remuneration review or when necessary (e.g. in case of changes in job functions, career progression, etc.).
	Variable remuneration component paid for the achievement of short-term objectives (STI)	All Group employees	Performance-based (cash) incentive, i.e., remuneration for achieving the goals or indicators set for a specific position. The proportion of STI is determined as a percentage of FBS. A 20% STI (calculated from the annual FBS) applies to managers and positions with strategic responsibilities, while a 10% STI applies to other employees. To ensure that the remuneration system remains flexible for specific groups of employees, specialised remuneration schemes with different STI levels or payout intervals may be applied.
Variable remuneration	Variable remuneration component paid for the achievement of non-current-term objectives (LTI)	Key executives ¹	Performance-based (monetary) incentive for the achievement of the 4-year strategic objectives (not overlapping with the STI objectives). The proportion of LTI is set as a percentage of the average salary, e.g. 40% LTI from the average annual FBS over the relevant strategic period (10% of annual FBS each year). The LTI is determined by assessing the sustainable performance of the business over a rolling 4-year period and is payable at the end of each 4-year strategic period (the right to LTI is granted after 4 years).
		Managers with strategic responsibilities ²	Performance-based (monetary) incentive paid for the achievement of long-term strategic objectives linked to the Group's four-year strategic plan (these objectives must not overlap with the STI objectives). The proportion of LTI is set as a percentage of the average salary, e.g. up to 30% LTI (from the average annual FBS over the relevant strategic period). The Management Board of the parent company sets and approves the criteria and targets for the achievement of the long-term objectives.
Other rewards	Additional financial incentives	For all Group employees, except for the CEO of the parent company, the members of the Management Board, and the members of the management committees of the Group's companies.	Performance-based incentives for extraordinary results and for managing the Group's strategically important initiatives. Additional financial incentives are granted at the initiative and discretion of the employer and are not a guaranteed part of the remuneration package.
	Expatriate's/attraction package	Employees who are hired from a foreign country	Reimbursement of the extra costs incurred when an employee moves from one country to another on the employer's instructions to carry out their duties. The package can also be used to attract talent from abroad.
	Additional benefits	All Group employees	Non-monetary forms of remuneration, such as accident insurance and various health insurance packages with a predefined benefit amount (up to EUR 1,000 per person and applied equally to all), private pension contributions to selected funds and other additional benefits, subject to internal regulations and the employee's decisions. Additional benefits are designed to boost employee motivation and loyalty. The benefits package for members of the management committees of the parent company and Group companies includes a company EV or mobility allowance.

¹Key management are employees who serve as members of the Management Board of the parent company, as well as the executives of AB Energijos skirstymo operatorius, UAB Ignitis, AB Ignitis gamyba and UAB Ignitis renewables.

²Managers with strategic responsibilities are those who are assigned long-term (longer than one year) Group strategic and/or critical objectives.

Remuneration of the Company's employees

The Company's payroll fund in 2025 amounted to EUR 2.4 million, compared to EUR 2.1 million in 2024. Average monthly salary (FBS and STI) for the period of 2024–2025 is provided in the following table. Information about remuneration can also be found on the Company's [website](#).

Average monthly remuneration and amount of the Company's employees, EUR (before taxes)

Position category	2025		2024	
	Number of employees	Average salary	Number of employees	Average salary
Executives	5	8,186	5	7,780
Experts, specialists	27	3,869	24	3,516
Qualified workers	13	3,309	12	3,135
Total	45	4,188	41	3,911

Remuneration of the Company's Management Board

The remuneration of the members of the Company's collegial bodies is determined in accordance with the Description of the Procedure for Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipal-Owned Enterprises, approved by the Resolution of the Government of the Republic of Lithuania No 794 of 3 August 2022, which establishes the procedure for the payment of remuneration to the members of the collegial bodies elected by the General Meeting of Shareholders of a state-owned company and its subsidiaries that are companies of importance to national security.

Remuneration of members of the current Management Board of the Company, EUR (before taxes)

Name, surname (position)	2025	2024
Mantas Bartuška (Chairman of the Management Board)	21,600	14,330
Mantas Mikalajūnas, member of the Management Board ¹	-	-
Vitalijus Žuta, member of the Management Board ¹	-	-
Andrius Vilkauskas, member of the Management Board ²	-	4,572

Remuneration of the Company's CEO

In order to attract high level professionals to management positions, we aim to maintain remuneration close to the market median in the country, in which the Group operates. More information about the Group principles of salary determination is available in [Remuneration Policy](#) and [Integrated Annual Report of the Group for 2025](#).

Remuneration of the Company's CEO, EUR (before tax)

	Name, surname	2025	2024
Fixed base salary	Ramūnas Paškauskas	124,136	115,638

Variable remuneration targets for the Company's management

The performance objectives for which the STI is paid are described in more detail in Section 2.3 of the report.

Information about the payouts of the CEO's variable remuneration component, EUR (before taxes)

	Name, surname	2025	2024
STI	Ramūnas Paškauskas	21,126	20,666

Employees, diversity, and representation

We recognise that our employees are the foundation of our success. To create an inclusive work environment with equal opportunities, where everyone has the chance to grow, it is essential to understand the diversity of our workforce. This section provides an overview of our employees' demographic profile, including their age, education, gender, and length of service.

¹ For the employee of AB Ignitis grupė (Mantas Mikalajūnas and of UAB Gren Lietuva (Vitalijus Žuta), the remuneration for their activities in the Company's collegial bodies is included in their regular pay, and no additional remuneration is provided.

² On 29 April 2024, the term of office of Andrius Vitkauskas ended, therefore, discrepancies are visible when comparing the figures.

These data demonstrate our commitment to transparency and accountability and highlight how diversity strengthens our organisation. We believe that a well-balanced and diverse team fosters innovation, collaboration, and sustainable growth aligned with our core values and strategic objectives. On the right, we present detailed information about our workforce, showing the people who drive our success.

Gender distribution by position category, 2025

Position category	Women	Men
Executives	20.0%	80.0%
Experts, specialists	22.2%	77.8%
Qualified workers	0.0%	100.0%
Total	15.6%	84.4%

Employee distribution by age, 2025

Age range	Distribution
57–76	2.2%
37–56	55.6%
25–36	40.0%
17–24	2.2%

Employee distribution by position category with reference to education, 2025

Position category	Higher university	College-level higher education	Secondary and vocational education	Other / no information available
Executives	80.0%	-	-	20.0%
Experts, specialists	85.2%	3.7%	7.4%	3.7%
Qualified workers	38.4%	23.1%	23.1%	15.4%
Total	71.1%	8.9%	11.1%	8.9%

The Company promotes and maintains social dialogue with representatives of employees. Employees are represented by the Labour Council.

3.4 Risk Management

The key information on the Group’s risk management system applied at the Company, its main processes, and the distribution of responsibilities among the Company’s activities, functions and governance bodies is provided in AB Ignitis grupė consolidated management [report](#).

Risk management overview

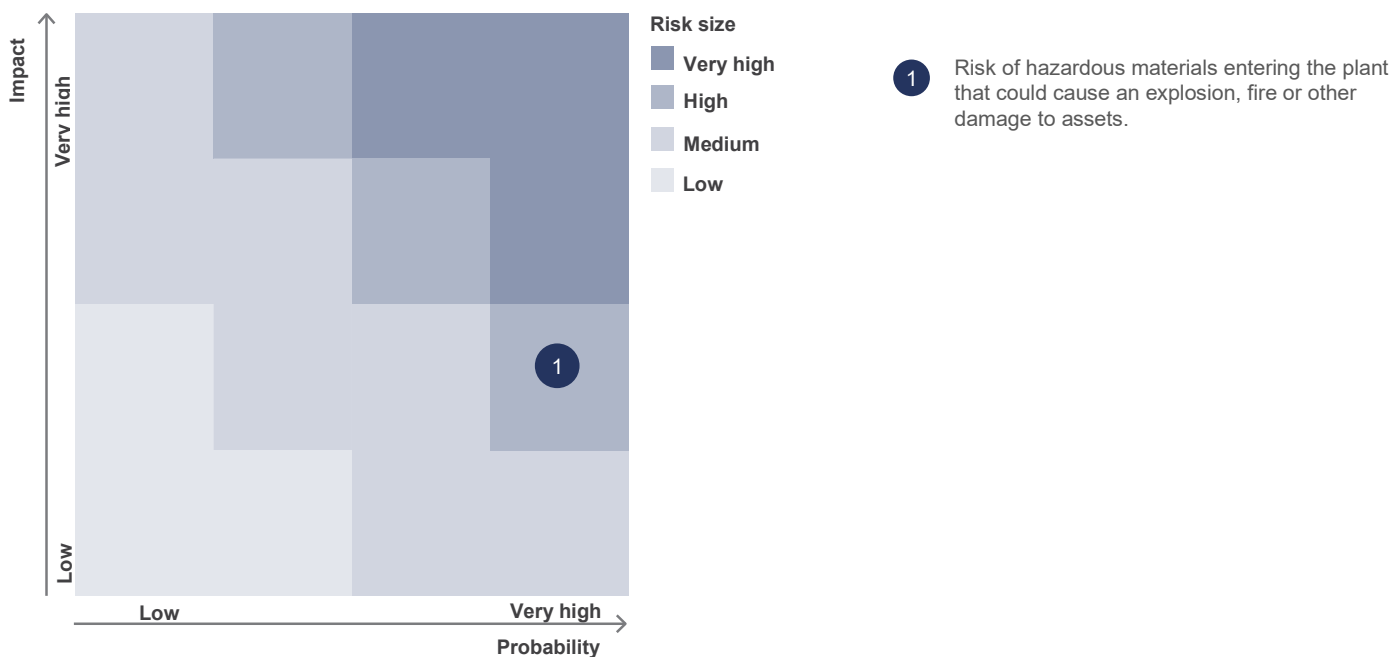
Overview of top risks in 2025

Factors that had the greatest impact on the Company’s risk management in 2025:

- In 2025, the waste-treatment sector faced an increased risk of fires and other incidents related to the potential entry of hazardous or unsuitable materials into delivered waste streams. In response to these circumstances, the Company added a new risk to its 2025 risk register – the risk that materials capable of causing an explosion, fire or other asset damage could enter the plant together with waste – and strengthened the relevant control and preventive measures.
- The risks identified in the Company are continued to be closely monitored and managed using the risk management measures.

The Company’s key risks for 2025 are presented in the risk map, while other risks were monitored at the operational level.

Map of the key risks of the Company



This section presents the Company’s key risks, including significant ESG (environmental, social and governance) risks and factors identified during the Double Materiality Assessment (DMA) process.

1 Risk of hazardous materials entering the plant that could cause an explosion, fire or other damage to assets.

Risk type Operational (activity)	Description of risk Due to irresponsible behaviour by suppliers or improperly sorted waste, prohibited, explosive or other hazardous materials may enter the plant's fuel stream. Such materials may cause an explosion, fire or other damage to property, which could result in accidents, operational disruptions or financial losses.	Main risk management measures: <ul style="list-style-type: none">– Control of suppliers and carriers, timely communication, and the application of contractual penalties for non-compliance with requirements;– Ongoing and periodic control and inspection of incoming waste;– Market reviews to assess the feasibility of acquiring a technological waste-scanning solution;– Enhancement of fire detection and suppression measures;– Conducting periodic emergency drills;– Updating and preparing relevant documentation.
ESG factors Environmental		

For more information on the risk management model, risk factors and their management by Ignitis grupė, please refer to the Integrated Annual Report of Ignitis grupė for 2025 ([link](#)).

Additional information

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4.1 Other important statutory information

This annual report consists of the management report and the financial statements, where UAB Kauno kogeneracinė jėgainė (hereinafter – “the Company”) provides information to the shareholders, creditors and other interested parties about the Company and the activities of the companies managed during the period of January–December 2025.

The Annual report has been prepared by the Company’s administration in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania, and taking into consideration the description of the guidelines for transparency of the activities of state-owned enterprises. The Company’s securities are not listed or traded on a regulated market. Articles of Association of the Company do not set any other requirements for the content of the Company’s Annual Report than the ones provided for in the legislation specified above.

The Company’s management is responsible for the information contained in the Annual Report. The report and the documents, on the basis of which it was prepared, are available at the head office of the Company (Jėgainės St. 6, Biruliškių village, LT-54469 Kaunas region) on working days from Mondays to Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (with a prior arrangement).

Company details

1. Company name: UAB Kauno kogeneracinė jėgainė
2. Legal form: UAB (limited liability company)
3. Share capital: EUR 40,000,000.00
4. Registration date and place: 27 February 2015, Vilnius, the Register of Legal Entities of the Republic of Lithuania
5. Company code: 303792888
6. Company address: Jėgainės St. 6, Biruliškių village, LT-54469 Kaunas region
7. Company’s register: SE Centre of Registers Register of Legal Entities
8. Phone: +370 615 69294
9. E-mail: info@kkj.lt
10. Website: www.kkj.lt

Legal notes

1. There were no significant events after the end of the financial year.
2. The Company has not used financial and hedging instruments subject to hedge accounting that would be significant in assessing the Company’s assets, equity, liabilities, financial position, and performance.
3. The Company had no treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period.
4. The Company has no branches or representative offices.
5. The Company envisages further sustainable development of existing operations in order to ensure higher profitability of operations and efficiency of asset utilisation in the long term. Research will be conducted as needed.
6. The Company’s activities meet the requirements set out in the legal acts regulating environmental protection.

Significant transactions

There are no significant agreements the Company is a party of that would come into force, change or be terminated in case of change in the Company’s control.

There are no harmful transactions concluded on behalf of the Company during the reporting period (not complying with the parent company’s objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Company’s activities and (or) performance in the future, nor transactions entered into in a conflict of interest between the Company’s management, controlling shareholders or other related parties’ obligations to the Company and its private interests and (or) other duties.

There are no agreements of the Company or its governing body members or employees, providing for compensation in the event of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in controls of the Company.

Main features of the internal control and risk management systems related to the preparation of the financial statements

The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial data provided in the Annual Report have been calculated in accordance with IFRS and correspond to the audited financial statements of the Company.

The staff of the Company's accounting firm ensures that the financial statements are properly prepared and that the data is collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Information about sustainability

UAB Kauno kogeneracinė jėgainė is a subsidiary, and its sustainability information is presented in the consolidated management report of the parent company AB Ignitis grupė. The consolidated management report of AB Ignitis grupė for 2025 includes the sustainability information of AB Ignitis grupė and its subsidiaries (the Group), including the sustainability disclosures of the subsidiary UAB Kauno kogeneracinė jėgainė. This includes an overview of commitments and actions in areas such as environmental performance, social responsibility and governance practices. Information about sustainability is available on the Group's website www.ignitisgrupe.lt under sections 'For Investors' and 'Sustainability'.

Alternative performance measures

Alternative Performance Measures (hereinafter - APM) – adjusted figures used in this report refer for measurement of internal performance management. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance measures are provided on the website of AB Ignitis grupė ([link](#)).

Language note

In case of inconsistencies between the Lithuanian and English versions of documents, the document prepared in Lithuanian is considered the main version.

4.2 Information on Compliance With the Guidelines on Transparency in State-Owned Companies

Information on compliance with the Guidelines on Transparency in State-Owned Companies

Point in the description of the Guidelines on Transparency in State-Owned Companies (version as at 30 April 2021)	Disclosure	Explanation
Chapter II. Disclosure of information by a State-owned enterprise		
5. The following data and information must be announced on the website of a state-owned enterprise:		
5.1. name;	Yes	
5.2. the code and register in which the company's data is collected and stored;	Yes	
5.3. registered office (address);	Yes	
5.4. the legal status if the state-owned entity is being restructured, reorganised (indicating the type of reorganisation), liquidated, bankrupt or insolvent;	Yes	Information is available on www.kkj.lt
5.5. the name of the authority representing the State and a link to its website;	Yes	
5.6. operational objectives, vision and mission;	Yes	
5.7. structure;	Yes	
5.8. data about the head of the company;	Yes	
5.9. data about the chairman and members of the management board, if the management board established under the articles of association;	Yes	
5.10. data about the chairman and members of the Supervisory Board, if the Supervisory Board is established under the articles of association;	Not applicable	Supervisory council is not formed in the Company.
5.11. names of committees, data about their chairmen and members, if committees are established under the articles of association;	Not applicable	No management or supervisory committees have been established in the Company.
5.12. the sum of the nominal values of the shares owned by the State (to the nearest euro cent) and the share (as a percentage) in the authorised capital of the State-owned company;	Yes	Information is available on www.kkj.lt

5.13. special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations shall be specified, the state budget allocations for their execution in the current calendar year and the legal acts by which the state-owned companies is entrusted with the execution of the special obligation shall be indicated, the terms and conditions of the execution of the special obligation shall be set and/or the pricing shall be regulated;	Not applicable	The Company has not determined any special obligations.
5.14. information on social responsibility initiatives and measures, major investment projects under-way or planned.	Yes	
6. In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies and committees of State-owned companies, the following data shall be published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 is elected or appointed as an independent member, this shall be indicated in addition to his/her data.	Yes	Information is available on www.kkj.lt
7. The following documents shall be published on the website of a state-owned enterprise:	Yes	Information is available on www.kkj.lt
7.1. Articles of Association;	Yes	
7.2. statement from the representative body of the State on the definition of the State's objectives and expectations in a State-owned enterprise;	Not applicable	The 'Letter of Expectations' is submitted to the Parent Company and published on www.ignitisgrupe.lt
7.3. the business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret;	Yes	Information available on www.kkj.lt
7.4. a document setting out the remuneration policy covering the remuneration of the chief executive of a	Yes	Information is available on www.kkj.lt

State-owned enterprise and the remuneration of the members of the collegiate bodies and committees of a State-owned enterprise, as detailed in the Corporate Governance Code;		
7.5. annual and interim reports of a State-owned enterprise, and annual and interim activity reports of a State-owned enterprise for a period of at least 5 years;	Yes	Annual reports are available on www.vkj.it . The Company does not prepare interim reports.
7.6. sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements.	Yes	Annual financial statements and auditor's reports are published on www.kkj.it . Interim reports are not prepared.
8. If the state-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description concerning the subsidiaries and entities of subsequent rows, the website addresses, the percentage of the parent company's shareholding in their share capital as well as the annual consolidated financial statements and the consolidated annual reports.	Not applicable	
9. If a State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes	Information is available on www.kkj.it
9 ¹ . If the entity is a subsidiary or an entity of a subsequent row of the State-owned company, the website shall contain the parent company's data referred to in points 5.1 to 5.3 of the Description and a link to the website of the parent company	Yes	Information is available on www.kkj.it
10. Any data, information or documents specified in points 5 and 6, sub-paragraphs 7.1–7.4, and points 8, 9 and 91 of the Description that have changed or have been published incorrectly must be updated, including on the website, without delay.	Yes	Information and documents that have changed are updated immediately
11. The set of annual financial statements of the State-owned company, the annual report of the State-owned company, the annual activity report of the State-owned company, as well as the auditor's report on the	Yes	Documents are published on the website within a set time limit

annual financial statements of the State-owned company, must be published on the website of the State-owned company within 10 working days from the date of the approval of the annual financial statements of the State-owned company.		
12. The sets of interim financial statements of the State-owned company, the interim reports of the State-owned company and the interim activity reports of the State-owned company must be published on the website of the State-owned company at the latest 2 months after the end of the reporting period.	Yes	Documents are published on the website within a set time limit
13. The documents referred to in point 7 of the Description shall be published in PDF format and shall be technically printable.	Yes	Documents are published in the PDF format
Chapter III. Preparation of financial statements, reports and activity reports		
14. State-owned companies shall maintain their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Yes	The Company's accounting is in accordance with IFRS
15. In addition to the annual financial statements, a State-owned company prepares a set of 6-month interim financial statements, and a state enterprise prepares sets of 3-month, 6-monthly and 9-month interim financial statements.	Not applicable	The Company does not prepare interim financial statements for 3, 6 and 9 months.
16. A State-owned company classified as a public interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares a 6-month interim report in addition to the annual report. A State-owned enterprise classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania shall, in addition to the annual activity report, prepare a 6-month interim activity report.	Not applicable	The Company does not prepare a 6-month interim report.
17. The annual report of a State-owned company or the annual activity report of a State-owned company shall, in addition to the content requirements set out in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or the Law on State and Municipal Enterprises of	Yes	The Company presents information in the annual report

the Republic of Lithuania, contain:		
17.1. a brief description of the business model of the State-owned company;	Yes	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) that had a material impact on the activities of the State-owned enterprise;	Yes	
17.3. the results of the achievement of the objectives set out in the State-owned company's operational strategy;	Yes	
17.4. profitability, liquidity, asset turnover, debt ratios;	Yes	
17.5. fulfilment of specific obligations;	Not applicable	
17.6. Implementation of the investment policy, ongoing and planned investment projects and Investments during the year under review;	Yes	
17.7. implementation of the risk management policy in a State-owned company;	Yes	
17.8. implementation of dividend policy in State-owned companies;	Yes	
17.9. implementation of remuneration policy;	Yes	
17.10. the total annual payroll fund, the average monthly salary by position and/or department;	Yes	
17.11. information on compliance with the provisions of Chapters II and III of the Description: how they are being implemented, which provisions are not being complied with and an explanation of why.	Yes	
18. State-owned companies and state enterprises that are not required to prepare a corporate social responsibility report are recommended to include in their annual report or annual activity report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues.	Not applicable	Social responsibility report (Integrated in an annual report) prepared on the level of AB Ignitis grupė is available on www.ignitisgrupe.lt
19. If the information referred to in point 17 of the Description is considered to be a commercial (industrial) secret or confidential information of the State-owned company, the State-owned company may not disclose such information, but	Not applicable	The Company presents information in the annual report

<p>state in the annual report of the State-owned company or the annual activity report of the State-owned company, as the case may be, that the information is not to be disclosed and under what reason.</p>		
<p>20. The annual report of the State-owned company or the annual activity report of the State enterprise may also contain other information not specified in the Description.</p>	<p>Yes</p>	<p>The annual report also contains other information</p>
<p>21. A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as the data referred to in points 5.1 to 5.3, for each of its subsidiaries and subsequent-row subsidiaries, the shareholding (in percentage of share capital) in the authorised capital of the subsidiary and the financial and non-financial results of its operations for the financial year. Where a State-owned company which is the parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply mutatis mutandis to it.</p>	<p>Not applicable</p>	
<p>22. The interim report of a State-owned enterprise or the interim performance report of a State-owned enterprise shall include a brief description of the business model of the State-owned enterprise, an analysis of its financial performance for the period under review, information on significant events that occurred during the period under review, as well as the indicators of profitability, liquidity, turnover, assets and debt, and the changes of these indicators as compared to the corresponding period of the previous year.</p>	<p>Not applicable</p>	<p>The Company does not prepare an interim report</p>

Company's financial statements

For the year ended 31 December 2025, prepared in accordance with IFRS Accounting Standards as adopted by the European Union

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The Company's financial statements were prepared and signed by UAB Kauno kogeneracinė jėgainė management on 20 March 2026:

Ramūnas Paškauskas

Chief Executive Officer

Aksana Stankevičienė

Head of Finance and
Administration

Rūta Simanavičienė

Accounting Expert of UAB
Ignitis grupės paslaugų
centras, acting under Order
No 26_GSC_SP_0024 of 19
February 2026

5.1 Statement of profit or loss and other comprehensive income

For the year ended 31 December 2025

EUR thousand	Note	2025	2024
Revenue from contracts with customers	5.1	54,948	53,423
Other revenue		467	439
Total revenue		55,415	53,862
Purchases of electricity, natural gas and other services	6.1	(9,158)	(10,706)
Depreciation and amortisation	9, 10, 11	(5,947)	(6,033)
Salaries and related expenses		(2,408)	(2,113)
Other expenses	6.2	(4,827)	(4,088)
Total expenses		(22,340)	(22,940)
Operating profit		33,075	30,922
Finance income	7	480	724
Finance expenses	7	(2,855)	(3,247)
Finance activity result, net		(2,375)	(2,523)
Profit (loss) before tax		30,700	28,399
Income tax (expenses)/benefit	8.1	(2,345)	(1,981)
Net profit for the year		28,355	26,418
Other comprehensive income (expenses)			
Change in actuarial assumptions		(13)	(1)
Items that will not be reclassified to profit or loss in subsequent periods (net of tax), total		(13)	(1)
Cash flow hedges – effective portion of changes in fair value	20.1	650	(996)
Items that may be reclassified to profit (loss) in subsequent periods (net of tax), total		650	(996)
Total other comprehensive income (loss) for the year		637	(997)
Total comprehensive income (loss) for the year		28,992	25,421

5.2 Statement of financial position

31 December 2025

EUR thousand	Note	31 December 2025	31 December 2024
Assets			
Intangible assets	9	1,451	1,620
Property, plant and equipment	10	114,017	118,271
Right-of-use assets	11.1	1,120	1,148
Non-current receivables		352	595
Deferred tax assets	8.3	32	75
Other non-current assets	20.1	1,989	1,305
Non-current assets		118,961	123,014
Inventories	12	8,871	12,857
Prepayments and deferred expenses		142	152
Trade receivables	13	7,085	7,055
Other receivables		279	126
Cash and cash equivalents	14	33,240	28,907
Current assets		49,617	49,097
Total assets		168,578	172,111
Equity and liabilities			
Issued capital	15.2	40,000	40,000
Legal reserve	16.1	4,000	2,971
Hedging reserve	16.2	1,836	1,185
Retained earnings		28,442	26,518
Equity		74,278	70,674
Non-current loans	17.1	78,833	86,167
Non-current lease liabilities	17.1	-	13
Provisions	18	31	10
Non-current liabilities		78,864	86,190
Loans	17.1	7,341	7,343
Lease liabilities	17.1	13	15
Trade payables		463	1,125
Advances received		119	97
Income tax payable		1,983	761
Provisions	18	3,844	4,353
Other current liabilities	19	1,673	1,553
Current liabilities		15,436	15,247
Total liabilities		94,300	101,437
Total equity and liabilities		168,578	172,111

5.3 Statement of changes in equity

For the year ended 31 December 2025

EUR thousand	Note	Issued capital	Legal reserve	Hedging reserve	Retained earnings	Total
Balance as at 1 January 2024		40,000	1,702	2,182	25,508	69,392
Net profit for the year		-	-	-	26,418	26,418
Other comprehensive income (loss)	20.1	-	-	(996)	(1)	(997)
Total comprehensive income (loss) for the year		-	-	(996)	26,417	25,421
Transfer to legal reserve		-	1,269	-	(1,269)	-
Dividends	15.3	-	-	-	(24,139)	(24,139)
Balance as at 31 December 2024		40,000	2,971	1,186	26,517	70,674
Balance as at 1 January 2025		40,000	2,971	1,186	26,517	70,674
Net profit for the year		-	-	-	28,355	28,355
Other comprehensive income (loss)	20.1	-	-	650	(13)	637
Total comprehensive income (loss) for the year		-	-	650	28,342	28,992
Transfer to legal reserve		-	1,029	-	(1,029)	-
Dividends	15.3	-	-	-	(25,388)	(25,388)
Balance as at 31 December 2025		40,000	4,000	1,836	28,442	74,278

5.4 Statement of cash flows

For the year ended 31 December 2025

EUR thousand	Note	2025	2024
Net profit for the year		28,355	26,418
Adjustments:			
Depreciation and amortisation expenses	9, 10, 11	5,947	6,033
Change in the fair value of derivatives	20.1	24	177
Income tax expense/(benefit)	8.1	2,345	1,981
Increase/(decrease) in provisions	18	(502)	(2,075)
Inventory write-down to net realisable value/(reversal)	12	(712)	704
Interest income	7	(480)	(724)
Interest expenses	7	2,831	3,070
Changes in working capital:			
(Increase)/decrease in trade and other receivables		60	1,213
(Increase)/decrease in inventories, prepayments and deferred expenses, other current and non-current assets		4,708	158
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities		(432)	464
Income tax (paid)/received		(1,136)	-
Net cash flows from operating activities		41,008	37,419
Acquisition of property, plant and equipment and intangible assets		(1,585)	(1,743)
Interest received	7	480	724
Net cash flows used in investing activities		(1,105)	(1,019)
Repayment of loans	17.2.1	(7,334)	(7,333)
Lease payments	17.2.1	(15)	(16)
Interest paid	17.2.1	(2,833)	(3,060)
Dividends paid	15.3	(25,388)	(24,139)
Net cash flows from financing activities		(35,570)	(34,548)
Increase (decrease) in cash and cash equivalents		4,333	1,852
Cash and cash equivalents at the beginning of the period	14	28,907	27,055
Cash and cash equivalents as at 31 December	14	33,240	28,907

5.5 Notes to the financial statements

For the year ended 31 December 2025

1 General information

UAB Kauno kogeneracinė jėgainė (hereinafter “the Company”) is a private limited liability company registered in the Republic of Lithuania. The registered address of the Company is: Jėgainės St. 6, Biruliškių village, Kaunas district, Lithuania. The Company was registered on 27 February 2015 with the Register of Legal Entities managed by the State enterprise the Centre of Registers. Company code is 303792888, VAT payer’s code – LT100009225616. The Company has been founded for an indefinite period. The reporting period is one year ended 31 December 2025.

The Company’s main activity is the operation of a high-efficiency cogeneration power plant in Kaunas, the production of local, competitive electricity and heat from waste.

The Company’s shareholders:

Shareholder of the Company	31 December 2025		31 December 2024	
	Number of shares held	%	Number of shares held	%
AB Ignitis grupė	20,400,000	51	20,400,000	51
UAB Gren Lietuva	19,600,000	49	19,600,000	49
Total	40,000,000	100	40,000,000	100

The Company’s parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania), which owns 51% of shares of the Company as at 31 December 2025 and 2024. As of 31 December 2025 and 2024, the shareholder structure of AB Ignitis grupė consisted of the Ministry of Finance of the Republic of Lithuania (74.99 per cent owned), retail and institutional investors (25.01 per cent owned).

AB Ignitis grupė is the ultimate parent company. The Group consists of AB Ignitis grupė and all its subsidiaries (hereinafter – the Group). The main controlling company, AB Ignitis grupė, prepares the Group’s consolidated financial statements, which cover all subsidiaries of AB Ignitis grupė, including the Company.

As at 31 December 2024 and 2025, the Company did not have any subsidiaries.

These financial statements were signed by the Company’s management on 20 March 2026. The Company’s shareholders have a right to approve the present financial statements, refuse to approve them and require that new financial statements are drawn up.

2 Basis for preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with IFRS accounting standards (hereinafter – IFRS), approved by the International Accounting Standards Board (hereinafter referred to as – IASB) and adopted by the European Union.

The financial statements as at and for the year ended 31 December 2025 have been prepared on a going concern basis applying measurement based on historical cost, except for certain financial instruments measured at fair value.

The financial statements provide comparative information of the previous reporting period.

Detailed information about the Company’s material accounting policy, including changes, is presented in Note 5.6 to the financial statements ‘Additional information’.

2.2 Functional and presentation currency

These financial statements are presented in euro, which is the Company’s functional currency, and all values are rounded to the nearest thousand (EUR ‘000), except when otherwise indicated.

3 Changes in material accounting policies

3.1 Changes in accounting policy and disclosures

The accounting policy applied in the preparation of these financial statements is consistent with the accounting policies that were followed in the preparation of the parent company’s annual financial statements for the year ended 31 December 2024, except for the new standards that came into force in 2025. The Company does not apply any standard, interpretation or amendment, for which early application is permitted but which is not yet effective.

Detailed information about new standards is presented in Note 5.6 to the financial statements under ‘Additional information’.

4 Critical accounting estimates and judgments used in the preparation of the financial statements

In preparing the financial statements, management made certain assumptions and estimates about the future, including climate-related risks and opportunities, which affected the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of uncertainties. Changes in assumption valuations and decisions in the future could have a significant impact on these financial statements.

Estimates and judgements with key assumptions are continuously reviewed and align with the Company's risk management and climate-related commitments. Estimates and judgements are recognised prospectively.

This note describes only the critical accounting estimates and judgements used in the preparation of the financial statements. Other accounting estimates and judgments used are presented in other notes to these financial statements.

Critical accounting estimates and judgments	Note	Estimate/Judgment
Provision for emission allowances	18.2.1	Estimate
Provision for plant dismantling and closure works	18.2.2	Estimate

5 Revenue

5.1 Revenue by type

EUR thousand	2025	2024
Revenue from sale of electricity	30,574	31,261
Revenue from sale of heat energy	12,305	11,636
Revenue from waste management	12,069	10,526
Total revenue from contracts with customers	54,948	53,423

5.2 Revenue from contracts with customers by periodicity

All of the Company's operating liabilities are settled over a specified period of time.

5.3 Contract balances

EUR thousand	31 December 2025	31 December 2024
Trade receivables	7,085	7,055
Accrued revenue from electricity related sales	-	27
Contract assets	-	27
Prepayments received	117	97
Contract liabilities	117	97
Current contract liabilities	117	97

6 Expenses

6.1 Purchases of electricity, natural gas and other services

EUR thousand	2025	2024
Operating costs of cogeneration plants	3,999	4,075
Costs of utilised emission allowances	3,898	4,471
Purchases of electricity and related services	1,267	1,189
Purchases of natural gas and related services	304	268
Other purchases	(310)	703
Total	9,158	10,706

In 2025, the Company's 'Other purchases' were lower than in 2024. The decrease was driven by the reversal of a previously recognised write-down to net realisable value due to the increased market prices of emission allowances.

6.2 Other expenses

EUR thousand	2025	2024
Repair and maintenance expenses	2,120	1,588
Asset management and administration	455	429
Value of written-off materials	448	413
Insurance expenses	396	355
Telecommunications and IT services	317	262
Finance and accounting	205	215
Taxes (other than income tax)	143	118
People and culture	135	173
Legal ¹	128	95
Decrease (reversal) in the value of emission allowances to net realisable value ¹	480	440
Total	4,827	4,088

¹ In 2025, the Company 'Legal' and 'Decrease (reversal) in the value of emission allowances to net realisable value' expenses are presented in the two separate line items. In 2024, these expenses were presented in the 'Other'. Accordingly, the comparative figures for 2024 were restated, with an amount of EUR 535 thousand reclassified from the 'Other'.

7 Finance activity

EUR thousand	2025	2024
Interest income at the effective interest rate	480	724
Total finance income	480	724
Interest expenses	2,831	3,070
Other finance costs	24	177
Total finance expenses	2,855	3,247
Finance activity, net	(2,375)	(2,523)

7.1 The Company's interest income

In 2025, the Company received interest inflows in cash of EUR 480 thousand for cash balances in bank accounts (2024: EUR 724 thousand), which is shown under 'Interest received' in the statement of cash flows.

8 Income taxes

8.1 Amounts recognised in profit or loss

EUR thousand	2025	2024
Income tax expenses (benefit) for the reporting period	2,301	841
Deferred tax expenses (benefit)	44	1,140
Total	2,345	1,981

The Company is a free economic zone company, whose capital investments reached EUR 1 million in 2016; therefore, the Company did not incur corporate income tax for next 6 tax periods starting from the tax period in which this amount of investments has been reached, and the Company will be subject to the reduced corporate income tax rate of 50% for the next 10 tax periods (until 31 December 2031). In 2024, the Company was subject to a 7.5% corporate income tax rate, in 2025 an 8% rate, and from 2026 an 8.5% rate.

8.2 Reconciliation of effective tax rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

EUR thousand	2025	2025	2024	2024
Profit (loss) before tax		30,700		28,399
Income tax expenses (benefit) at tax rate of 8%	8.00%	2,456	7.50%	2,130
Non-taxable income and expenses not-deductible for tax purposes	0.06%	19	0.08%	24
Incentive on investment project	0.36%	(110)	0.52%	(149)
Change in income tax rate	(0.01%)	(4)	0.03%	(9)
Other	0.05%	(16)	0.05%	(15)
Income tax expense (benefit)	7.64%	2,345	6.98%	1,981

8.3 Deferred tax

EUR thousand	31 December 2023	Recognised in profit or loss	31 December 2024	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2025
Deferred tax assets						
Accrued expenses	21	-	21	9	-	30
Incentive on investment project	1,214	(1,214)	-	-	-	-
Lease liability (IFRS 16)	3	(1)	2	(1)	-	1
Capitalised income	97	2	99	1	-	100
Impairment of emission allowances	6	56	62	(57)	-	5
Other	4	3	7	1	1	9
Deferred tax assets	1,345	(1,154)	191	(47)	1	145
Deferred tax liabilities						
Capitalised interest	112	-	112	-	-	112
Right-of-use asset (IFRS 16)	3	(1)	2	(1)	-	1
Derivative financial instruments	15	(13)	2	(2)	-	-
Deferred tax liability	130	(14)	116	(3)	-	113
Deferred tax, net	1,215	(1,140)	75	(44)	1	32

9 Intangible assets

EUR thousand	Other intangible assets	Total
Acquisition cost as at 1 January 2025	2,409	2,409
Additions	-	-
Reclassified (to)/from property, plant and equipment	19	19
Acquisition cost as at 31 December 2025	2,428	2,428
Accumulated amortisation as at 1 January 2025	(789)	(789)
Amortisation	(188)	(188)
Accumulated amortisation as at 31 December 2025	(977)	(977)
Carrying amount as at 31 December 2025	1,451	1,451
Acquisition cost as at 1 January 2024	2,350	2,350
Additions	38	38
Reclassified (to)/from property, plant and equipment	21	21
Acquisition cost as at 31 December 2024	2,409	2,409
Accumulated amortisation as at 1 January 2024	(607)	(607)
Amortisation	(182)	(182)
Accumulated amortisation as at 31 December 2024	(789)	(789)
Carrying amounts as at 31 December 2024	1,620	1,620

9.1 Fully amortised intangible assets

As at 31 December 2025 and 2024, the Company had no fully amortised intangible assets used in operations.

9.2 Acquisition commitments

As at 31 December 2025 and 2024, the Company has no significant acquisition commitments of intangible assets to be fulfilled during the subsequent years.

9.3 Pledged assets

As at 31 December 2025 and 2024, the Company has no pledged intangible assets.

10 Property, plant and equipment

EUR thousand	Cogeneration plants and their equipment	Information technologies and communication equipment	Vehicles	Other property, plant and equipment	Construction in progress	Total
Acquisition cost as at 1 January 2025	141,557	1,558	43	486	15	143,659
Additions	3	19	-	21	1,455	1,497
Write-offs	(8)	-	-	(36)	-	(44)
Reclassification (to)/from construction in-progress	1,405	9	-	4	(1,418)	-
Reclassified (to)/from intangible assets	-	-	-	-	(19)	(19)
Acquisition cost as at 31 December 2025	142,957	1,585	43	475	33	145,093
Accumulated depreciation as at 1 January 2025	(24,668)	(450)	(13)	(257)	-	(25,388)
Depreciation	(5,526)	(150)	(3)	(52)	-	(5,731)
Write-offs	8	-	-	35	-	43
Accumulated depreciation as at 31 December 2025	(30,186)	(600)	(16)	(274)	-	(31,076)
Carrying amount as at 31 December 2025	112,771	985	27	201	33	114,017
Acquisition cost as at 1 January 2024	140,336	1,220	43	470	-	142,069
Additions	65	13	-	10	1,525	1,613
Write-offs	-	-	-	(2)	-	(2)
Reclassification (to)/from construction in-progress	1,156	325	-	8	(1,489)	-
Reclassification (to)/from intangible assets	-	-	-	-	(21)	(21)
Carrying amount as at 31 December 2024	141,557	1,558	43	486	15	143,659
Accumulated depreciation as at 1 January 2024	(19,032)	(338)	(10)	(186)	-	(19,566)
Depreciation	(5,637)	(112)	(3)	(71)	-	(5,823)
Write-offs	1	-	-	-	-	1
Accumulated depreciation as at 31 December 2024	(24,668)	(450)	(13)	(257)	-	(25,388)
Carrying amount as at 31 December 2024	116,889	1,108	30	229	15	118,271

10.1 Acquisitions of property, plant and equipment

As at 31 December 2025 and 2024, the Company had no material acquisition commitments of property, plant and equipment to be fulfilled during the subsequent year.

10.2 Fully depreciated property, plant and equipment

The acquisition cost of property, plant and equipment that is fully depreciated but used in operations is presented below:

EUR thousand	31 December 2025	31 December 2024
Cogeneration plants and their equipment	940	-
Other property, plant and equipment	111	102
Total	1,051	102

10.3 Pledged property, plant and equipment

As at 31 December 2025, the Company has pledged to the banks its property, plant and equipment with the carrying amount of EUR 112,683 thousand (31 December 2024: EUR 116,801 thousand).

11 Right-of-use assets

11.1 The Company's right-of-use assets

EUR thousand	Land	Other property, plant and equipment	Total
Acquisition cost as at 1 January 2025	1,196	112	1,308
Additions	-	-	-
Acquisition cost at 31 December 2025	1,196	112	1,308
Accumulated depreciation as at 01 January 2025	(75)	(85)	(160)
Depreciation	(12)	(16)	(28)
Accumulated depreciation as at 31 December 2025	(87)	(101)	(188)
Carrying amount as at 31 December 2025	1,109	11	1,120
Acquisition cost as at 1 January 2024	1,196	112	1,308
Additions	-	-	-
Acquisition cost at 31 December 2024	1,196	112	1,308
Accumulated depreciation as at 01 January 2024	(63)	(69)	(132)
Depreciation	(12)	(16)	(28)
Accumulated depreciation as at 31 December 2024	(75)	(85)	(160)
Carrying amounts as at 31 December 2024	1,121	27	1,148

11.2 Expenses related to lease agreements recognised in the statement of profit or loss

The Company's lease contract expenses recognised in the Statement of Profit or Loss and Other Comprehensive Income are presented below:

EUR thousand	2025	2024
Expenses related to short-term leases (other expenses)	62	60
Depreciation	28	28
Interest expenses	1	1
Lease expenses, total	91	89

12 Inventories

EUR thousand	31 December 2025	31 December 2024
Emission allowances	7,634	11,431
Consumables, raw materials and spare parts	1,107	1,182
Other	130	244
Carrying amount	8,871	12,857

As at 31 December 2025, the Company had 184,213 units of emission allowances (31 December 2024: 244,968 units).

The Company's inventories expensed were as follows:

EUR thousand EUR	2025	2024
Emission allowances	3,898	4,471
Materials, raw materials and spare parts	448	369
Natural gas	304	268
Other inventories	1,864	1,744
Total	6,514	6,852

Movements on the account of inventory write-down to net realisable value were as follows:

EUR thousand	2025	2024
Carrying amount as at 1 January	779	75
Additional write-down to net realisable value	1,084	2,543
Reversal of write-down to net realisable value	(1,796)	(1,839)
Carrying amount as at 31 December	67	779

In 2025, the change in the write-down to net realisable value was mainly driven by the increase in market prices of Emission Allowance and the reversal relating to 2024.

13 Trade receivables

EUR thousand	31 December 2025	31 December 2024
Amounts receivable under contracts with customers		
Receivables for supply of electricity	3,199	3,191
Receivables for supply of heat	1,983	1,896
Receivables for waste management	1,822	1,900
Other trade receivables	81	68
Total	7,085	7,055
Less: impairment allowance	-	-
Carrying amount	7,085	7,055

As at 31 December 2024 and 2025, the Company had not pledged any claim rights to trade receivables.

No interest is charged on receivables, the regular settlement period is 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Company doesn't provide the settlement period longer than 1 year. The management didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 22.

13.1 Loss allowance of amounts receivable (lifetime expected credit losses)

As at 31 December 2025, trade receivables under contracts with customers were not past due. Based on the individual assessment applied in estimating the expected credit losses, no significant loss allowance was identified during the reporting period.

14 Cash and cash equivalents

EUR thousand	31 December 2025	31 December 2024
Cash balances in bank accounts	30,240	25,907
Restricted cash ¹	3,000	3,000
Carrying amount	33,240	28,907

¹ In 2025, the Company classified the restricted funds under the credit facility agreement with Swedbank within the line item 'Restricted cash'. Accordingly, the comparative figures for 2024 were adjusted by reclassifying an amount of EUR 3 million from the line item 'Cash balances in bank accounts'

The fair values of cash and cash equivalents as at 31 December 2024 and 2025 approximate their carrying amounts.

Under the loan agreements signed with the banks, the Company has pledged current and future cash inflows. The balance of pledged cash as at 31 December 2025 amounted to EUR 19,222 thousand (31 December 2024: EUR 16,129 thousand). It is also obliged to ensure that, throughout the entire term of the credit agreement, the Company maintains no less than EUR 3 million of its own funds in its accounts held with Swedbank.

Based on management's assessment, expected credit losses (ECL) on cash and cash equivalents are not significant, as the Company's cash and cash equivalents are held with international banks with high credit ratings.

15 Equity

15.1 Capital management

The management uses the equity as reported in the statement of financial position for capital management purposes.

According to the Law on Companies of the Republic of Lithuania, the share capital of a closed joint stock company must be at least EUR 1 thousand. Equity must make at least 50% of the Company's share capital. As at 31 December 2025 and 2024, the Company complied with the capital regulatory requirements.

15.2 Share capital

Structure of the Company's share capital and shareholders:

Shareholder of the Company	31 December 2025		31 December 2024	
	Share capital, EUR thousand	%	Share capital, EUR thousand	%
AB Ignitis grupė	20,400	51	20,400	51
UAB Gren Lietuva	19,600	49	19,600	49
Total	40,000	100	40,000	100

As at 31 December 2025 and 2024, the Company's share capital amounted to EUR 40,000 thousand and was divided into 40,000,000 ordinary registered shares with par value of EUR 1 each. All the shares are fully paid.

15.3 Dividends

Dividends declared by the Company during the year:

EUR thousand	2025	2024
AB Ignitis grupė	12,948	12,311
UAB Gren Lietuva	12,440	11,828
Total	25,388	24,139

The dividends for 2024 amounting to EUR 25,388 thousand were approved by the general meeting of shareholders on 23 April 2025. The dividends for 2023 amounting to EUR 24,139 thousand were approved by the general meeting of shareholders on 16 April 2024.

16 Reserves

16.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the authorised capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

As at 31 December 2025, the Company's legal reserve was fully formed.

16.2 Hedging reserve

The hedge reserve includes hedging instruments used to hedge cash flows that will subsequently be recognised in profit or loss in the effective portion of the net change in fair value. As at 31 December 2025, the hedging reserve consisted of cash flow hedges - the effective portion of the change in fair value is EUR 1,836 thousand (as at 31 December 2024: EUR 1,185 thousand).

17 Financing

17.1 Loans and lease liabilities

EUR thousand	31 December 2025	31 December 2024
Bank loan	78,833	86,167
Lease liabilities	-	13
Total non-current	78,833	86,180
Current part of bank loan	7,341	7,343
Lease liabilities	13	15
Total current	7,354	7,358
Total	86,187	93,538

Maturities of loans and lease liabilities:

EUR thousand	31 December 2025	31 December 2024
Up to 1 year	7,354	7,358
From 1 to 2 years	7,333	7,346
2 and 5 years	22,000	22,000
After 5 years	49,500	56,834
Total	86,187	93,538

All the Company's loans and lease liabilities are denominated in EUR.

17.1.1 Performance of obligations

The loan agreements provide for financial and non-financial covenants that the Company is obliged to comply with. As at 31 December 2025 and 31 December 2024, the Company fulfilled all obligations stipulated in the agreements.

17.2 Net Debt

Net debt is a non-IFRS liquidity indicator that is used to determine the ratio of debt to highly liquid assets under management of the Company. Management is monitoring net debt metric as a part of risk-management strategy. Only debts to financial institutions, the related interest payable, and lease liabilities are included in the calculation of net debt. For the purposes of preparing these financial statements, management defines the net debt ratio as presented below.

Net debt balances:

EUR thousand	31 December 2025	31 December 2024
Cash and cash equivalents	(33,240)	(28,907)
Non-current portion	78,833	86,180
Current portion	7,354	7,358
Net Debt	52,947	64,631

17.2.1 Reconciliation of the Company's net debt balances to cash flows from finance activities

EUR thousand	Loans		Lease liabilities		Assets	Total
	Non-current	Current	Non-current	Current	Cash and cash equivalents	
Net debt as at 1 January 2024	93,500	7,333	29	15	(27,055)	73,822
Cash changes						
(Increase) decrease in cash and cash equivalents	-	-	-	-	(1,852)	(1,852)
Repayment of loans	-	(7,333)	-	-	-	(7,333)
Lease payments	-	-	-	(16)	-	(16)
Interests paid	-	(3,059)	-	(1)	-	(3,060)
Non-cash changes						
Accrued of payable interest	-	3,069	-	1	-	30,070
Reclassifications between items	(7,333)	7,333	(16)	17	-	-
Net debt as at 31 December 2024	86,167	7,343	13	15	(28,907)	64,631
Net debt as at 1 January 2025	86,167	7,343	13	15	(28,907)	64,631
Cash changes						
(Increase) decrease in cash and cash equivalents	-	-	-	-	(4,333)	(4,333)
Repayment of loans	-	(7,334)	-	-	-	(7,334)
Lease payments	-	-	-	(15)	-	(15)
Interest paid	-	(2,832)	-	(1)	-	(2,833)
Non-cash changes						
Accrued of interest payable	-	2,830	-	1	-	2,831
Reclassifications between items	(7,334)	7,334	(13)	13	-	-
Net debt as at 31 December 2025	78,833	7,341	-	13	(33,240)	52,947

18 Provisions

EUR thousand	31 December 2025	31 December 2024
Non-current		10
Current	3,844	4,353
Total	3,875	4,363

The balances and movement of the Company's provisions:

EUR thousand	Provision for emission allowances	Provisions for employee benefits	Total
Balance as at 1 January 2024	6,430	8	6,438
Increase during the year	4,353	1	4,354
Utilised during the year	(6,430)	-	(6,430)
Result of change in assumptions	-	1	1
Balance as at 31 December 2024	4,353	10	4,363
Balance as at 1 January 2025	4,353	10	4,363
Increase during the year	3,844	7	3,851
Utilised during the year	(4,353)	-	(4,353)
Result of change in assumptions	-	14	14
Balance as at 31 December 2025	3,844	31	3,875
Non-current	-	31	31
Current	3,844	-	3,844

18.1 Description of the Company's provisions and the expected timing of realisation of economic benefits

Provisions for employee benefits

Provisions for employee benefits include a statutory retirement benefit for the Group employees (Material accounting policies, Note 1.11.2). The period of the non-current provision is calculated for each employee using actuarial assumptions, which include the following:

	31 December 2025	31 December 2024
Discount rate	3.32%	3.56%
Staff turnover ratio	6.6%	9.0%
Annual increase in salary	5.0%	5.0%
Average time to retirement (years)	26	27

18.2 Significant accounting estimates and judgments

18.2.1 Provision for emission allowances

As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. This liability falls within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If actual emissions exceeds the quantity of emission allowances held, the Company accounts for an obligation to buy additional emission allowances, the value of which is equal to their market value. The quantity of actual emissions is approved by a respective state authority during three months after the end of the year. As at 31 December 2024, the recognised provision differed insignificantly from the actual approved emission quantities. The Company's management, based on its own experience, does not expect any significant differences to arise between the estimated provision at 31 December 2025 and the quantity of emissions which will be approved for 2026.

18.2.2 Provision for power plant dismantling and decommissioning works

At each reporting date, the Company assesses potential provision for dismantling and closure works. In management's opinion, there is no basis to recognise a provision for the dismantling and decommissioning of the plant, as the Company has no legal obligation to perform such works. Therefore, no provision has been recognised in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

19 Other current liabilities

EUR thousand	31 December 2025	31 December 2024
Taxes (other than income tax)	1,065	937
Employment related liabilities	389	338
Accrued expenses	192	144
Amounts payable for property, plant and equipment	27	134
Carrying amount	1,673	1,553

Financial liabilities amount to EUR 27 thousand (31 December 2024: EUR 134 thousand). Accrued expenses, taxes and employment related liabilities are not financial liabilities.

20 Derivative financial instruments

Derivative financial instruments mainly comprise other contracts – interest rate swap derivatives.

20.1 Derivative financial instruments in the statement of financial position

EUR thousand	31 December 2025	31 December 2024
Other non-current assets	1,989	1,305
Carrying amount	1,989	1,305

Movement of derivative financial instruments:

EUR thousand	2025	2024
Carrying amount as at 1 January	1,305	2,559
Change in fair value of derivatives recognised in 'Finance expenses'	(24)	(177)
Change in fair value of derivatives recognised in 'Other comprehensive income'	708	(1,077)
Carrying amount as at 31 December	1,989	1,305

21 Contingent liabilities and commitments

21.1 Litigations

In 2025 and 2024, the Company was not involved in any legal procedures which, in the opinion of management, could have a material effect on the financial statements.

22 Related-party transactions

Related parties include:

- the parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state-owned enterprises and their subsidiaries (only significant transactions with such entities are disclosed);
- the Ministry of Finance of the Republic of Lithuania along with institutions and enterprises attributed to decision management (only significant transactions with such entities are disclosed);
- key management personnel, their close family members and their controlled entities.

The table below provides a summary of the main related-party transactions:

Related party	Relationship	Type of main transactions
AB Ignitis grupė group of companies	Other AB Ignitis grupė group of companies	Services related to IT and telecommunications, procurement organisation and implementation, accounting and personnel administration, also purchases of natural gas, electricity balancing services from related parties
UAB EPSO-G group companies	Indirectly controlled by the Ministry of Energy of the Republic of Lithuania	Purchase and sale of electricity transmission and distribution services

Transactions with related parties as at 31 December 2025 are presented in the table:

Related parties, EUR thousand	Amounts receivable 31 December 2025	Amounts payable 31 December 2025	Sales 2025	Purchases 2025
AB Ignitis grupė group of companies	3,146	123	27,675	1,377
UAB EPSO-G group companies	48	4	480	85
Total	3,194	127	28,155	1,462

Related parties, EUR thousand	Amounts receivable 31 December 2024	Amounts payable 31 December 2024	Sales 2024	Purchases 2024
AB Ignitis grupė group of companies	3,179	104	28,079	1,290
UAB EPSO-G group companies	37	6	336	80
Total	3,216	110	28,415	1,370

22.1 Terms of transactions with related parties

The settlement term is 15- 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

22.2 Remuneration to key management personnel

EUR thousand	2025	2024
Wages and salaries and other current benefits to key management personnel	170	157
Whereof:		
Current benefits - salaries and other payments	170	157
Number of key management personnel	4	4

In 2025 and 2024, the key management personnel of the Company were the Chief Executive Officer and members of the Management Board. More information on key management personnel is provided under the Section 3 'Governance' of this report.

23 Risk management

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Company aims to mitigate its risks and reduce them to acceptable levels through risk management. This section describes only the management of the main financial risks. Management of other risks is presented in Section 3 'Governance' of this report.

23.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency exchange risk.

23.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a position will fluctuate due to changes in foreign exchange rates.

The Company's purchase and sales transactions in the ordinary course of business are denominated in euros; therefore, it is not exposed to foreign currency exchange risk.

23.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2025, the Company's income and cash flows from operating activities are not materially affected by changes in market interest rates as on 8 June 2022 the Company entered into interest rate swap and option transactions. Loans with fixed interest rate amounted to EUR 86,174 thousand as at 31 December 2025. EUR

The Company's income and cash flows were not affected by fluctuations in market interest rates because the Company's had borrowings with fixed interest rates as at 31 December 2025. As at 31 December 2024, the loans with fixed interest rate amounted to EUR 93,510 thousand.

23.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company's credit risk arises both from its core operating activities (trade and other receivables) and from its financing activities (loans granted, finance lease agreements, derivative financial instruments). The Company's exposure to cash-related credit risk is limited, as cash balances are held only with reputable financial institutions.

The Company is exposed to a concentration of credit risk related to trade receivables. The majority of the Company's receivables are held by two companies: A Group company, from which receivables account for 44% of total receivables, and an external customer accounts for 28% of total receivables. The Company's main customers are financially stable entities. Therefore, the Company does not consider that the risk related to concentration of receivables is significant.

The Company is exposed to a concentration of credit risk related to trade receivables. The Company assesses receivables using an expected credit loss (ECL) allowance matrix or based on an individual assessment (Note 13). Under the individual assessment approach, the financial position and credit risk of each specific debtor are evaluated by analysing the debtor's financial statements, payment discipline and other publicly available information relevant to the debtor's credit assessment.

The Company is not exposed to significant credit risk concentration related to other amounts receivable.

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum credit risk is equal to the carrying amount of the financial asset.

EUR thousand	Note	31 December 2025	31 December 2024
Financial assets carried at amortised cost			
Non-current receivables		352	595
Trade receivables	13	7,085	7,055
Other receivables		279	99
Cash and cash equivalents	14	33,240	28,907
Financial assets measured at FVPL or FVOCI			
Derivative financial instruments	20.1	1,989	1,305
Total		42,945	37,961

23.3 Liquidity risk

The Company's liquidity risk is managed by forecasting future cash flows and ensuring that the Company always has sufficient funds, committed credit facilities and overdraft lines to support its normal operating activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Company over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2025, the Company's total liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 3.21 and 2.64 respectively (31 December 2024: 3.22 and 2.38 respectively).

The table below provides information on the Company's financial liabilities by groups:

EUR thousand	Note	31 December 2025	31 December 2024
Financial liabilities measured at amortised cost			
Loans	17.1	86,174	93,510
Lease liabilities		13	28
Trade payables		463	1,125
Other current liabilities	19	27	134
Total		86,677	94,797

The table below contains information on the terms of repayment of the Company's financial liabilities according to the contracts (taking into account the undiscounted cash flows of financial liabilities for which interest is calculated, and the carrying amount of other financial liabilities):

EUR thousand	2025				Total
	Less than 3 months	From 3 months to 1 year	1 and 5 years	After 5 years	
Loans	2,500	7,416	38,840	50,034	98,790
Lease liabilities	4	9	-	-	13
Trade payables	463	-	-	-	463
Other payables	27	-	-	-	27
31 December 2025	2,994	7,425	38,840	50,034	99,293

EUR thousand	2024				Total
	Less than 3 months	From 3 months to 1 year	1 and 5 years	After 5 years	
Loans	2,557	7,586	47,310	51,482	108,935
Lease liabilities	3	12	13	-	28
Trade payables	1,125	-	-	-	1,125
Other payables	134	-	-	-	134
31 December 2024	3,819	7,598	47,323	51,482	110,222

24 Fair values of financial instruments

24.1 Financial instruments measured at fair value

The Company's derivatives are measured at fair value (all allocations to hierarchy levels are presented in a table below).

As at 31 December 2025, the Company held interest rate swap derivatives. The net value is calculated using exchange rates published by the European Central Bank. Level 2 of the hierarchy is used to determine the fair values of these derivatives as they are not traded in the direct markets and the calculations are based on information publicly available in the markets.

24.2 Financial instruments fair value hierarchy levels

The fair value of the Company's loans granted by commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 3.138 as at 31 December 2025 (31 December 2024: 3.546). The measurement of debt-related financial liabilities is assigned to level 2 of the fair value hierarchy.

The table below presents the fair value hierarchy levels of the Company's financial instruments as at 31 December 2025:

EUR thousand	Note	Carrying amount	Level 1	Level 2	Level 3	Total
			Quoted prices in active markets	Other directly or indirectly disclosed indicators	Unobservable inputs	
Financial instruments at fair value through profit or loss						
Assets						
Derivatives	20.1	1,989	-	1,989	-	1,989
Financial instruments for which fair value is disclosed						
Liabilities						
Proceeds from loans	17.2.1	86,167	-	78,833	-	78,833

The table below presents the fair value hierarchy levels of the Company's financial instruments as at 31 December 2024:

EUR thousand	Note	Carrying amount	Level 1	Level 2	Level 3	Total
			Quoted prices in active markets	Other directly or indirectly disclosed indicators	Unobservable inputs	
Financial instruments at fair value through profit or loss						
Assets						
Derivatives	20.1	1,305	-	1,305	-	1,305
Financial instruments for which fair value is disclosed						
Liabilities						
Proceeds from loans	17.2.1	93,500	-	86,167	-	86,167

25 Events after the reporting period

There were no significant events after the reporting period until the issue of these financial statements.

5.6 Additional information

1 Material accounting policies

1.1 Changes in accounting policy and disclosures

1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting year

The following new standards and/or amendments, as approved by IASB and adopted by the European Union for the year ended 31 December 2025, had no material effect on the financial statements:

Standards or amendments that came into force during the year of 2025

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

The adoption of these standards, amendments and interpretations had no material impact on the financial statements.

1.1.2 Standards issued but not yet effective and not early adopted

In preparing these financial statements, the Company did not apply the new IFRS issued by the IASB, amendments to IFRS and IAS, or interpretations whose effective date is later than 31 December 2025 and which may be applied earlier. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

It is considered that the revised standards listed below will not have a material impact on the financial statements:

Other new standards and amendments	IASB Effective date	EU Endorsement status
Contracts related to electricity from natural resources - Amendments to IFRS 9 and IFRS 7	1 January 2026	Endorsed
Annual Improvements, Volume 11	1 January 2026	Endorsed
Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7	1 January 2026	Endorsed
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	Not yet endorsed
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	Not yet endorsed
The Effects of Changes in Foreign Exchange Rates: Retranslation into the presentation currency of a hyperinflationary economy - Amendments to IAS 21	1 January 2027	Not yet endorsed

1.2 Revenue from contracts with customers

The Company's main performance obligations set out in the agreements with customers are as follows: sale of electricity, sale of heat energy, and waste treatment.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

1.2.1 Revenue from sale of produced electricity

Electricity generated by the Company itself (Note 5, line 'Revenue from sale of produced electricity') is sold on the electricity exchange by submitting electricity sale bids to the exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. In the Intraday market, transactions are confirmed by market participants. Following the approval of the transaction, the system of the Power exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to deliver to the electricity transmission system the quantity of electricity specified in the sale bid. The performance obligation is satisfied over time as the agreed quantity of electricity is supplied to the grid. Progress towards satisfaction of the performance obligation is measured based on the quantity of electricity specified in the transaction.

The transaction price and the consideration payable to the seller correspond to the amount specified in the transaction confirmation notice. All consideration payable to the seller is fixed. Upon receipt of confirmation of the conclusion of the electricity sale transaction, the transaction price is no longer subject to change.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Company at the electricity exchange.

Electricity revenue also includes sales of electricity to a Group company. The Company sells the contracted amount of electricity generated at a fixed price. Revenue is recognised over the period in each accounting period based on the VAT invoices issued.

1.2.2 Revenue from waste treatment

Under its contracts with customers, the Company is obliged to provide non-hazardous waste treatment (incineration) services. In the contract with customer, the consideration paid to the Company comprises the fixed consideration per waste unit. The Company recognises revenue over time, progress of performance obligation is measured by considering the quantity of waste actually delivered. Revenue is recognised when waste acceptance and transfer deed has been approved by both parties.

1.2.3 Revenue from supply of thermal energy

Under contracts with customers, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under contract with the customer, the single performance obligation that the seller commits to is the supply of thermal energy (Note 5, item "Revenue from distribution of thermal energy"). The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller satisfies its performance obligation. The seller satisfies its performance obligation over the contract period. The progress of satisfying of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

1.3 Intangible assets

1.3.1 Other intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated useful life of 3- 13 years. Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

The amortisation expense of the Company's intangible assets is recognised under 'Depreciation and amortisation' line item in the statement of profit or loss and other comprehensive income.

1.4 Property, plant and equipment

Property, plant and equipment is stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the directly proportional (straight-line) depreciation method over the entire useful life of the property, plant and equipment. Depreciation starts when an asset is ready for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

The acquisition cost includes the costs of replacing parts of property, plant and equipment when incurred, if these costs meet the asset recognition criteria. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and the costs can be measured reliably. All other repairs and maintenance costs charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The residual values and useful lives of assets are reviewed at least once per year, and adjusted, if appropriate.

Construction in progress is transferred to appropriate categories of property, plant and equipment when an asset is completed and ready for its intended use.

When an item of property, plant and equipment is written off or otherwise disposed of, its acquisition cost together with the related accumulated depreciation and accumulated impairment are derecognised from the financial statements, and the resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed.

Depreciation of property, plant and equipment is calculated using the straight-line method, depreciating the asset's acquisition / revalued amount down to its residual value over the following estimated useful lives (in years):

Category of property, plant and equipment	Useful lives (number of years)
Cogeneration plants and their equipment	10-45
Information technologies and communication equipment	15
Vehicles	13
Other property, plant and equipment	4-5

1.5 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

1.5.1 Initial measurement of right-of-use assets

On the lease commencement date, the right-of-use assets are measured at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the inventories. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of the right-of-use assets when a liability is assumed for these costs.

1.5.2 Subsequent measurement of right-of-use assets

After the commencement date, the Company measures the right-of-use asset at cost, less any accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

The Company presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

1.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.6.1 Financial assets

The Company classifies its financial assets into the following 3 categories:

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income (hereinafter “FVOCI”); and
- financial assets subsequently measured at fair value through profit or loss (hereinafter “FVPL”).

A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame generally established by regulation or convention in the relevant market (a regular way trade) is recognised on the trade date, i.e., the date on which the Group commits to purchase or sell the financial asset.

Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (hereinafter “SPPI”)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss and other comprehensive income. Impairment losses are recognised as other expenses (Note 7) in the statement of profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company’s management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

1.6.1.1 Financial assets measured at FVOCI in subsequent periods

The Company holds derivative instruments that are subsequently measured at FVOCI. Further information on derivative instruments is provided in Note 23.2.

A debt investment is subsequently measured at FVOCI if it meets both of the following conditions and is not classified as FVTPL:

- it is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial asset; and
- the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

1.6.1.2 Financial assets measured at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter “EIR”) method and are subject to impairment. Amortised cost is the amount at which a financial instrument was recognised at the date of initial recognition, less principal repayments, plus accrued interest, and, for financial assets, less any write-down for expected credit losses. The Company’s financial assets measured at amortised cost comprise the Company’s loans granted, receivables, and cash and cash equivalents, accounted for in accordance with a business model whose objective is to hold financial assets in order to collect contractual cash flows, which may consist of cash flows related to repayment of principal and receipt of interest.

1.6.1.3 Financial assets measured at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL.

The Company classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in the statement of profit or loss and other comprehensive income in the period in which it originated. To this category, the Company attributes investments in equity instruments that do not meet the SPPI conditions.

1.6.1.4 Effective interest rate method

The EIR method is applied in calculating the amortised cost of a financial asset and in allocating interest income to the statement of profit or loss over the relevant period.

The EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, advance payment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

1.6.1.5 Impairment of financial assets – expected credit losses

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indications.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original EIR. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

1.6.1.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the borrower;
- (b) a breach of contract, such as a default or past due event for more than 90 days;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

1.6.1.7 Derecognition of financial assets

Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
 - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
 - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

1.6.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

1.6.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade and other payables or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

1.6.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVPL;
- financial liabilities at amortised cost.

1.6.2.3 Financial liabilities the fair value changes of which are measured profit or loss

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedging transactions as defined in IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses arising from changes in the fair value of these liabilities are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

1.6.2.4 Financial liabilities measured at amortised cost

After initial recognition, trade payables, interest-bearing loans and bonds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

1.6.2.5 Classification and borrowing costs

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the statement of financial position date proves that the liability was non-current by its nature as of the date of the statement of financial position, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. All other borrowing costs are immediately expensed as incurred. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

1.6.2.6 Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial liabilities and in the allocation of the interest expenses in the statement of profit or loss and other comprehensive income over the relevant period.

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability.

1.6.2.7 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

1.6.3 Derivatives and hedge accounting

The Company enters into derivative financial instruments transactions related to purchase and sale prices of electricity, future purchases of emission allowances as well as interest rate swaps and options. The Company enters into derivative transactions for hedging purposes.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging transaction equals the ratio between the quantity of the hedged item and the quantity of the hedging instrument.

1.6.3.1 Presentation

Fair value of derivative instruments is presented in the statement of financial position as "Other non-current assets", "Other current assets" and "Other current amounts payable and liabilities" (Note 20).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are recognised in the statement of profit or loss and other comprehensive income either as "Other income", if result for a period of such derivatives is profit, or "Other expenses" if result of such derivatives for a period is loss (Note 20).

Changes in fair value and the result of derivatives that have been settled and qualify for hedge accounting and meet the criteria for hedge accounting shall be accounted for as described below:

1.6.3.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the statement of financial position, in the hedging reserve. Ineffective portion of profit or loss is recognised directly under profit or loss in the statement of profit or loss and other comprehensive income as 'Other income' or 'Other expenses' (accounting method is similar to derivatives that do not meet the hedging criteria – Note 1.6.3). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is established using the FIFO method. The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.8 Emission allowances

Based on the European Union (the EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covered 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. This cap is specified in the National Allocation Plan (hereinafter "NPP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 30 June of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State shall ensure that, by 31 March of the following year, the operator of each polluting facility submits data on the facility's actual emissions for the current calendar year.

1.8.1 Inventories

EU emission allowances are inventories that are dedicated by the state or are acquired by the Company. EU emission allowances acquired by the Company are recognised at cost. EU emission allowances dedicated by the state are recognized in the accounts at nominal (zero) value. The Company accounts for purchased and received free-of-charge emission allowances separately, write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

1.8.2 Provision for emission allowances used

When the Company emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. This liability is a provision that is measured at the value which correspond to amount of expenses that Company will incur to cover this obligation as at the date of the statement of financial position. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for. The obligation can only be covered with inventories if the amount of pollutants is approved by the responsible regulatory authority.

Changes in the value of the liability related to insufficient emission allowances are recognised in the statement of profit or loss and other comprehensive income.

1.9 Lease liabilities

At the commencement date of the lease the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the

lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

1.9.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Also, low-value asset lease recognition exemption to office equipment that are considered to be low value is applied. Payments for short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

1.10 Provisions

Provisions are recognised when the Company has a legal obligation or irrevocable commitment as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recognised in the statement of profit or loss and other comprehensive income, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is used, an increase in the provision reflecting the past period, is accounted for as finance costs.

1.11 Employee Benefits

1.11.1 State plans

The Company participates only in State plans. State plans are established by legislation and cover all entities, and are administered by national or local government or another body (in the Company's case, the State Social Security Fund). State plan is a defined contribution plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay employees benefits relating to employee service in the current and prior period.

These contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

1.11.2 Severance payments

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

1.11.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as prescribed by Lithuanian laws and the Collective Agreement.

If an employee is a member of a trade union, he or she is also entitled to an additional payment for his or her service under collective agreement. A liability for employee benefits is recognised in the statement of financial position and reflects the present value of the earned benefits as at the reporting date. The aforementioned non-current liability for benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

1.12 Fair value

The Company measures financial instruments such as derivatives, at fair value at each reporting date. The determination of fair value is based on the assumption that the sale of assets or the transfer of liabilities takes place or:

- in the principal market for the asset or liability
- or
- if there is no main market, in the most favourable market for the asset or liability.

The fair value of the asset or liability is determined using the assumptions that market participants would use to determine the price of the asset or liability, assuming that market participants have their best economic interests.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3 includes the fair value of the asset units determined on the basis of unobservable indicators.

For assets and liabilities that are recognised in the financial statements, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Independent Auditor's Report

To the Shareholders of UAB Kauno kogeneracinė jėgainė

■ Opinion

We have audited the financial statements of UAB Kauno kogeneracinė jėgainė ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2025,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

■ Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to the audit of financial statements in the Republic of Lithuania, and with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants. We have also fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

■ Other Information

The other information comprises the information included in the Company's management report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



In addition, our responsibility is to consider whether information included in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's management report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

■ Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

■ Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of KPMG Baltics, UAB

Edvinas Žukauskas
Partner pp
Auditor's certificate No. 000619

Klaipėda, the Republic of Lithuania
20 March 2026

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 70 to 72 of this document.

5.8 Information about the auditor

Overview

At the Company's shareholders' meeting, held on 17 April 2023, KPMG Baltics, UAB (KPMG) was re-appointed to audit the Company's financial statements for the period 2023-2027. KPMG also audited the Company's accounts for the years 2021 and 2022 on the basis of the previous contract.

Worth noting that all independent auditor related tenders are carried out according to the best practices. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criteria of implementing public tenders is to ensure competitiveness and accordingly the only special audit selection criteria eligible to be included is an experience in auditing energy sector companies. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

Independent auditors and financial period during which audit services have been provided

2021–2025
KPMG Baltics, UAB Lvivo St. 101 LT-08104 Vilnius, Lithuania

Services and fees

During the period 2024–2025, the following services have been provided to the Company by the independent auditors and its international partners.

Independent auditor's services and fees

EUR thousand	2025	2024
Audit of the annual financial statements under the agreements	31	27
Other ¹	2	2
Total	33	29

¹ Other services included translation of the Company's financial statements and the annual management report into the English language.

In accordance with the Group's policy, our statutory auditor's annual fee for non-audit services cannot exceed the annual fee for statutory audit services calculated at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

Certification statement

20 March 2026

We, Ramūnas Paškauskas, the Chief Executive Officer and Aksana Stankevičienė, Head of Finance and Administration of UAB Kauno kogeneracinė jėgainė, and Rūta Simanavičienė, Accounting Expert at UAB Ignitis grupės paslaugų centras, acting in accordance with Order No 26_GSC_SP_0024 of 19 February 2026, hereby confirm that, to the best of our knowledge, the financial statements of UAB Kauno kogeneracinė jėgainė for the year 2025, prepared in accordance with IFRS Accounting Standards as adopted by the European Union, give a true and fair view of the Company's assets, liabilities, financial position, profit or loss and cash flows for the period, and the Management Report for 2025 includes a fair review of the development and performance of the business as well as the condition of the Company together with the description of the principle risks and uncertainties it faces.

Ramūnas Paškauskas

Chief Executive Officer

Aksana Stankevičienė

Head of Finance and
Administration

Rūta Simanavičienė

Accounting Expert of UAB
Ignitis grupės paslaugų
centras, acting under Order
No 26_GSC_SP_0024 of 19
February 2026